

WE THANK OUR 3,000
HARD WORKING, CREATIVE
AND DEDICATED EMPLOYEES
WHO PROVIDE EXTRAORDINARY
PRODUCTS AND SERVICE
TO OUR CUSTOMERS. WE
ARE GRATEFUL TO THEM,
TO OUR CUSTOMERS AND
SUPPLIERS, AND TO YOU,
OUR SHAREHOLDERS.



MISSION STATEMENT

WE FIRMLY BELIEVE THAT OUR COMPANY IS A POWERFUL VEHICLE THROUGH WHICH WE CHANNEL OUR TIME, TALENT, AND ENERGY IN PURSUIT OF THE FUNDAMENTAL GOAL OF SERVING GOD BY SERVING OTHERS. THROUGH OUR COLLECTIVE ACTION WE GREATLY MAGNIFY THE IMPACT OF OUR INDIVIDUAL EFFORTS TO:

- PROVIDE EXTRAORDINARY SERVICE TO OUR CUSTOMERS
- HELP EACH OTHER IMPROVE
- SUPPORT OUR COMMUNITIES
- INCREASE THE VALUE OF OUR COMPANY



The Andersons, Inc.
480 West Dussel Drive
Maumee, Ohio 43537

THE ANDERSONS SUMMARY ANNUAL REPORT 2003



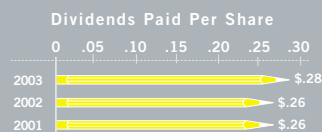
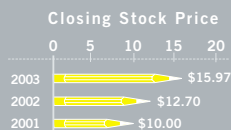
SHARPENING OUR FOCUS

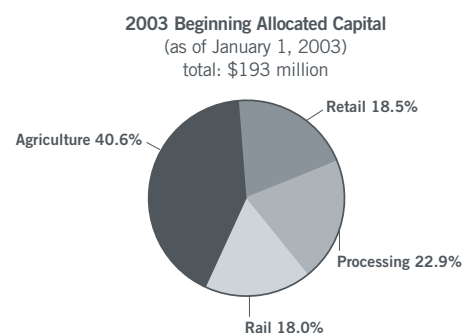
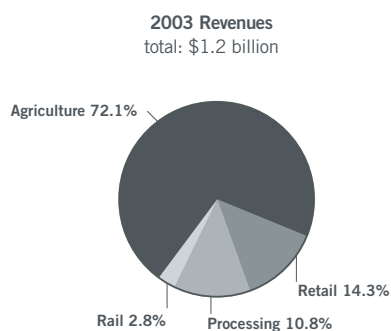
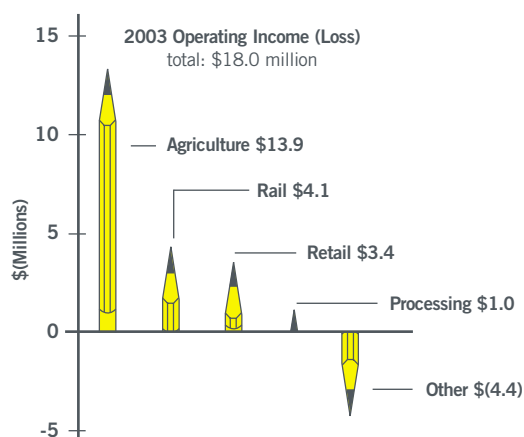


THE ANDERSONS, INC. (NASDAQ: ANDE) IS A DIVERSIFIED AGRIBUSINESS AND RETAILING COMPANY WITH ANNUAL REVENUES OF APPROXIMATELY \$1.2 BILLION. THE COMPANY, WHICH BEGAN OPERATIONS IN MAUMEE, OHIO IN 1947 WITH ONE GRAIN ELEVATOR AND 500,000 BUSHELS OF STORAGE CAPACITY, TODAY HAS FOUR OPERATING GROUPS: AGRICULTURE, PROCESSING, RAIL, AND RETAIL. FOR MORE IN-DEPTH INFORMATION ABOUT THE COMPANY, PLEASE VISIT OUR WEBSITE AT WWW.ANDERSONSINC.COM.

2003 ACCOMPLISHMENTS

- Shareholders enjoyed a 28% total return
- Plant Nutrient Division experienced best-ever full year performance
- Railcar repair and fabrication shops established new full-year income records
- Processing Group achieved an operating income of \$1.0 million
- Revenues grew by 16% to \$1.25 billion
- Announced and subsequently acquired (in 2004) 6,700 railcars and 48 locomotives
- Leased and subsequently acquired (in 2004) the grain assets of Farmers Elevator Co. of Oakville, IN
- Working capital grew by 9.5%
- The long-term debt to equity ratio continued to improve





FINANCIAL HIGHLIGHTS

(in thousands, except for per share data, ratios and other data)

Operating Results

	2003	2002	% Change
Grain sales & revenues	\$ 704,574	\$ 583,947	20.7%
Fertilizer, retail & other sales	542,390	492,580	10.1%
Total sales & revenues	1,246,964	1,076,527	15.8%

Gross profit - grain	41,783	47,348	-11.8%
Gross profit - fertilizer, retail & other	122,311	115,753	5.7%
Total gross profit	164,094	163,101	0.6%

Net income	11,701	14,244	-17.9%
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Financial Position

Total assets	492,619	469,218	5.0%
Working capital	89,532	81,755	9.5%
Weighted average shares outstanding	7,141	7,283	-1.9%

Per Share Data

Net income - diluted	1.59	1.92	-17.2%
Dividends paid	0.28	0.26	7.7%
Year end market value	15.97	12.70	25.7%

Ratios and Other Data

Pretax return on beginning equity	17.0%	16.9%
Net income return on beginning equity	11.1%	15.0%
Funded long-term debt to equity (a)	0.7-to-1	0.8-to-1
Effective tax rate	34.9%	32.7%

(a) Excludes current portion of long-term debt



2003: A YEAR OF SHARPENING OUR FOCUS

DICK ANDERSON
MIKE ANDERSON



TO OUR SHAREHOLDERS AND FRIENDS

Our strategy to build on core competencies and grow the business using proven skills and expertise is beginning to pay off. Last year, we stepped up our acquisition efforts and by year end, had made significant progress on acquisitions in the Agriculture and Rail Groups. These acquisitions were successfully completed in the first quarter of 2004. All four business Groups recorded a profitable year in 2003. The Andersons' employees made good progress in their goal to exceed customer expectations, while at the same time keeping an eye on expenses and invested assets. We are truly **"SHARPENING OUR FOCUS"** for the future.

In 2003, The Andersons reported net income of \$11.7 million on total revenues of \$1.2 billion. Earnings per diluted share were \$1.59 compared to \$1.92 in 2002. Net income in 2002 was \$14.2 million on revenues of \$1.1 billion. Our shareholders have enjoyed excellent total returns over the past three years: 28% in 2003, 30% in 2002 and 19% in 2001.

Tight control over capital spending and better-than-predicted earnings in 2003 strengthened our balance sheet. Overall leverage improved and net working capital increased by 9-1/2%. The long-term funded debt-to-equity ratio ended at 0.7 to 1, better than our targeted ratio of 0.8 to 1.

2003 HIGHLIGHTS

Operating performance for the **Agriculture Group** fell slightly behind its 2002 finish primarily due to lower storage income for the first three quarters of 2003. The Grain division's elevators handled near record levels of grain in the fourth quarter as the 2003 U.S. corn harvest climbed to a new record high this year. As a result, operating income for the fourth quarter 2003 was double that of last year's final quarter. The Plant Nutrient division posted record performance numbers for the third consecutive year. Growth in industrial and specialty agricultural products, along with volume and margin improvements in traditional nutrient product categories and enhanced operational efficiencies, contributed to the positive full-year results.

The **Rail Group** bettered its 2002 earnings by 160%. Sales and lease rates increased due to a rising demand for railcars. The railcar repair and fabrication shops also continue to contribute to the group's operating income with brisk orders for specialty railcar components. The demand, along with improved economic conditions, had a positive impact on labor efficiency.

The **Processing Group** improved its 2002 performance by \$2.3 million to become profitable in 2003. The turn around was fueled by gains in turf-care product volumes for both the professional and consumer/ industrial markets, as well as sales growth in the group's cob-based products business.



Very brisk retail sales during the key final week of the Christmas season helped the **Retail Group** finish the year only slightly behind its 2002 performance. Sales were impacted by a sluggish regional economy and significant competition in the Toledo marketplace. Overall, the group improved its margins and maintained relatively unchanged operating expenses.

On the **Corporate** side, operating, general and administrative costs increased by only 1.5% in spite of higher pension and utility costs, and the professional costs related to acquisition efforts. In addition, interest expenses declined 18% as a result of lower rates and a stronger balance sheet. Tax rates, on the other hand, increased due to higher state and local income taxes.

For more specifics on last year's performance, see the individual business review pages in this report.

2004 COMPANY OUTLOOK

The Andersons' people are committed to delivering quality, integrity, honesty and fairness in our products, services and reporting, as well as creating value for our customers, shareholders, communities and employees. We believe our employees have a passion to provide the extraordinary service our customers have come to expect from The Andersons. As our founder, Harold Anderson, often said, **"If it's going to be, it's up to me."**

We are positioned for a good year in 2004 as we continue to grow our business by building on our core competencies; storing, maintaining, formulating, transporting and physical handling of bulk materials, and creating financial and risk management tools to help our customers' bottom lines. Our experience has provided us with the opportunity to leverage these competencies into added-value products and services that provide solutions for our customers. We will:

- Provide extraordinary customer service to all we serve
- Pursue growth opportunities beyond our grain marketing region
- Diversify our core plant nutrient product line and customer base
- Build on our position as the Total Rail SolutionsSM provider
- Offer retail shoppers MORE FOR YOUR HOME[®]
- Provide product and supply chain solutions to turf customers

We have always stated our performance will reflect the cyclical and seasonal nature of our industries, and that has not changed. In the coming year for example, higher international demand for grain is expected to drive U.S. carryover corn stocks to a seven-year low,

which will affect our storage income. These same factors, however, may stimulate U.S. corn production in 2004 which could have positive implications for both our plant nutrient business and our grain elevators. By diversifying into other businesses, we reduce some of the volatility in the agricultural industry. It's been our experience over the past 56 years that the industry ups and downs tend to balance out over time.

2004 BUSINESS UNIT GOALS

The Agriculture Group, which includes the Grain division and Plant Nutrient division (PND), forms our largest investment and the base on which most of our other businesses were created.

Increased domestic and international demand for all grain products is expected to stimulate crop production for 2004. This will not necessarily increase the grain storage income usually associated with increased crop production as grain inventories are likely to be shipped earlier than usual to meet demand. On the positive side, increased U.S. crop production for 2004 should create the opportunity to handle more volume in the coming year. This growth brings with it opportunities for operational and administrative

efficiencies as we manage more bushels and more facilities. Five years of profitable growth is allowing us to reinvest in capital, technology and operations improvements for our facilities.

The higher production, increased market volatility, and volumes we expect for 2004 will also create a higher demand for the grain origination products and services we offer. Software programs such as The Crop Revenue Profiler[®] help producers achieve a more predictable result while minimizing price volatility. The progressive grain marketing tools we have developed, such as FreedomSM contracts, continue to assist producers in pricing decisions. In addition, we have developed web-based customer contracts, statements and other information to help customers track and manage their contract positions.

In 2003, the Grain division became a minority investor in Lansing Grain Company LLC, a grain trading business with offices in Michigan, Minnesota, and Kansas. This investment will help The Andersons extend the geographic reach for its agri-business services and merchandising. Early in 2004, the Company completed the purchase of selected assets of the Farmers Elevator Company of Oakville, Inc. The purchase added 3.5 million additional bushels of grain storage capacity and expanded our grain trading area within central Indiana. These acquisitions, added to the Grain division's existing capabilities, position the division for growth in the coming year.

ALL FOUR
BUSINESS
GROUPS
RECORDED A
PROFITABLE
YEAR IN 2003



The Plant Nutrient Division focuses on the continued growth of sales, warehousing, and manufacturing by providing extraordinary services and talent tailored to fit each segment of our customer base. Cash provided by good grain production in 2003, higher grain prices, and acreage distribution are positive signs for PND in 2004. Strong cash flow at the producer level will provide the liquidity for producers to buy the necessary inputs for the 2004 planting season. The division continues to add capacity and re-capitalize existing assets to provide customers with superior service and a complete line of nutrient inputs.

PND also invests financial and human resources in the development and distribution of products and services for the specialty agriculture and industrial markets. These products and services include specialty nutrients for in-furrow and foliar applications, liquid roadway and runway anti-icers, wastewater treatment products, nitrogen reagents for air pollution control, and specialty packaging.

In addition, PND has a strategic alliance with Powerspan Corp., a clean-energy technology company engaged in the development of multi-pollutant control processes for the coal-fired electric power industry. Powerspan is completing construction of its first commercial demonstration unit. Through our alliance agreement, PND is in an excellent position to provide various services to the electric power industry including marketing of co-products and the supply of nitrogen reagents.

The Rail Group improved its performance by a wide margin in 2003 due to brisk demand for railcars, particularly in the fourth quarter when record grain production put available cars at a premium. With the current demand for cars continuing into 2004, the group's strategy to be a Total Rail SolutionsSM provider for its railcar customers is

paying off. This concept showcases the Rail Group's expertise in combining leasing, repair, fabrication and support services for the customers' benefit.

The group completed its plans to add a new repair business in South Carolina. That shop is currently in operation and will move to its permanent location in the second quarter of 2004. Like the Maumee-based railcar repair shop, the Southern facility will also repair, rebuild and re-engineer cars to customer specifications. These add-on services, unique among railcar leasing/management groups, enhance our ability to meet customer needs in the lease business.

At year end, the fleet consisted of 74 locomotives, 6,200 railcars, and contracts to manage an additional 1,200 railcars for third parties. We ended 2003 with a 92% utilization rate (cars in rental service), 7% above the 2002 year end. In the first quarter of 2004, the company completed the acquisition of a large fleet of rolling stock and leasing assets. The transaction increases the fleet by 6,700 railcars and 48 locomotives and adds contracts to manage 2,600 cars for third-party investors. The assets, the majority of which are currently under lease, will be primarily owned by TOP CAT Holding, LLC with The Andersons as its sole equity investor.

Our challenge for 2004 will be to integrate the management and operations of the newly created LLC with our current holdings. This task will require that we maximize the utilization of staff and operations while continuing to provide customers with a high level of service and support.

The Processing Group made good on its promise to become profitable in 2003. In 2004, we plan to strengthen our market position through product innovation and continued development of our distribution network. We are streamlining the supply chain process by increasing inventory turns, decreasing investment in working capital and by taking cost out of the production process. These improvements will support the goals of further market share gains in the professional market and enhance our ability to serve the big box retailers in the consumer channel.

The industry is forecasting modest growth of 2% to 3% in the do-it-yourself market for 2004, which will impact both our consumer and industrial products. This growth may not be mirrored in our shipments for spring 2004 due to excess inventory already in the channel. The big box consumer lawn fertilizer business is dynamic, however, and we anticipate that it will continue to be a profitable channel for our private label products. We expect demand for industrial products to be down for 2004. However, we expect new orders from existing customers and greater sales volume of professional products to fill in a portion of the gap. We also expect to reduce costs by fine-tuning our operating and management systems.



The Processing Group's other businesses, cob-based carriers and animal bedding/litter products, expect to improve margins and lower expenses in 2004.

Our Retail Group continues to carve a consumer niche for its stores by combining a broad array of traditional home center merchandise, a full-service nursery and high quality food offerings under the umbrella concept, MORE FOR YOUR HOME®. This year the group is evaluating new product lines to further broaden that concept and enhance shopper perception of The Andersons as a "one-stop" shopping experience.

On the merchandise side, we are improving the quality of our selling efforts in three areas – kitchen/bath, paint and storage. A renewed consumer interest in remodeling is driving the growth of the first two areas, while space-starved families are fueling the growth of storage containers and systems.

Renewed focus on our selling efforts across the board goes hand-in-hand with an increased commitment to improving our employees' customer service skills. We will be stepping up the training and education process across all stores as exceptional customer service continues to differentiate us from the competition.

The growth in sales generated by our specialty foods category continues to parallel the upward trend in food categories. Based on the popularity of the meat markets added in our three Toledo-area stores, we added a meat market in a Columbus location. This recent addition is showing better-than-expected results.

The most important issue for Retail remains improving our financial performance to a level that will support additional stores. We think that we have opportunity to improve our sales performance, as well as our operating efficiency.

On the administrative front we continue to manage our operating, administrative and general expenses for greater efficiencies. Rising health care costs have escalated into a national problem. Through our efforts to refine our health programs and encourage our employees to become better consumers of health care, we have been able to offer a competitive health care benefit program at cost increases below current market trends. Pension costs, driven by lower interest rates and three years of declining equity markets, are increasing as well. We have stepped up our contributions into our pension plans and experienced excellent investment returns in 2003.

A significant portion of our long-term debt is at fixed or capped interest rates, which should benefit us for the next few years. In November we renewed our \$200 million syndicated credit line with six major banks. In addition, on February 12, 2004 we completed the financing of the newly acquired 6,700 railcar fleet using an \$86.4 million securitized non-recourse fixed-rate bond offering at very attractive rates. This

very complex transaction will benefit the Company for years to come.

In the past year, we have stepped up implementation of enterprise resource program (BaaN®) technology with Rail and Cob business systems now using this advanced software. In the year ahead, we will add the new entities created to operate and manage the additional railcar fleet acquired in 2004 to BaaN. We are also in the process of Company-wide system upgrades to set the stage for future business growth. In 2002, we initiated the development and integration of Technology Enabled Sales & Marketing efforts utilizing Onyx customer resource management software. Using the new software positions our sales team to drive their sales and marketing efforts through scheduling, contact information, customer preference tracking, and sales management reporting.

The Company is planning for a significant investment of time and resources in 2004 on the implementation of the SEC's regulations around Management's Report on Internal Control over Financial Reporting. We will issue our first report in conjunction with the 2004 annual report to shareholders, at which time our independent auditors will also provide their first attestation report.

We thank our 3,000 hard working, creative and dedicated employees who provide extraordinary products and service to our customers. We are grateful to them, to our customers and suppliers, and to you, our shareholders. We have built our business on honesty, integrity, and mutual respect for our employees, customers and shareholders. These values will continue to guide our growth at The Andersons.

SINCERELY,



Mike Anderson, CEO & President



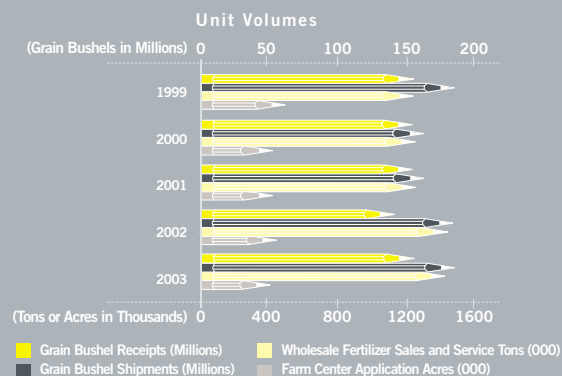
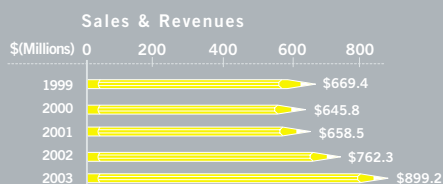
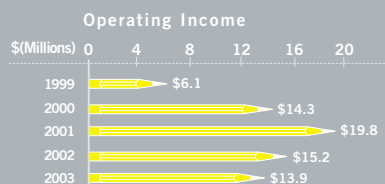
Dick Anderson, Chairman of the Board

WE HAVE BUILT
OUR BUSINESS
ON HONESTY,
INTEGRITY, AND
MUTUAL
RESPECT FOR
OUR EMPLOYEES,
CUSTOMERS AND
SHAREHOLDERS



THE AGRICULTURE GROUP'S GRAIN AND PLANT NUTRIENT DIVISIONS HANDLE IN EXCESS OF 150 MILLION BUSHELS OF GRAIN AND ABOUT 1.5 MILLION TONS OF DRY AND LIQUID AGRICULTURAL FERTILIZER PRODUCTS ANNUALLY. APPROXIMATELY 490 EMPLOYEES SHARE THEIR AGRIBUSINESS EXPERTISE WITH CUSTOMERS THROUGHOUT THE EASTERN CORN BELT.





AGRICULTURE GROUP

The Agriculture Group, consisting of the Grain division and the Plant Nutrient division, operates grain elevators and plant nutrient formulation and distribution facilities in Ohio, Michigan, Indiana and Illinois. The group's elevators receive large quantities of grain and oilseeds (primarily corn, soybeans and wheat) from farms and country elevators in the region. They store and condition the various crops, then market them to domestic and export processors. The Grain division also offers various information, marketing and crop insurance services to grain producers and elevators throughout the corn belt. The Agriculture Group's Plant Nutrient division formulates and distributes dry and liquid agricultural nutrients to dealers, distributors and company-owned farm centers. The division also manufactures technologically-advanced, environmentally-friendly liquid anti-icers for use in highway and airport runway applications. In addition, they supply nitrogen reagents used in the traditional process of scrubbing nitrous oxide and sulfur dioxide emissions from coal-burning power plants. The division has recently partnered with the developer of a new multi-pollutant air scrubbing technology which positions the division to become the

supplier of nitrogen reagents and marketer of plant nutrient co-product generated from this new technology.

In 2003, the Agriculture Group's operating income was \$13.9 million. This was \$1.3 million below its 2002 performance, which was the second highest performance year in the company's 56-year history. Total revenues of \$899 million in 2003 were \$137 million higher than the previous year.

Grain production in the eastern corn belt rebounded this year. More bushels were delivered to the group's elevators, and grain sales increased as a result of volume growth and rising prices due to strong domestic and export demand. That same demand reduced corn, bean and wheat stocks in the U.S., however, so the group's total-year earnings from storing grain were lower than they were in 2002.

In 2003, the group's plant nutrient business improved bottom line results over 2002 performance. Volume growth, increased mix of higher margin manufactured products, modest price appreciation, and increased efficiencies in all areas contributed to the

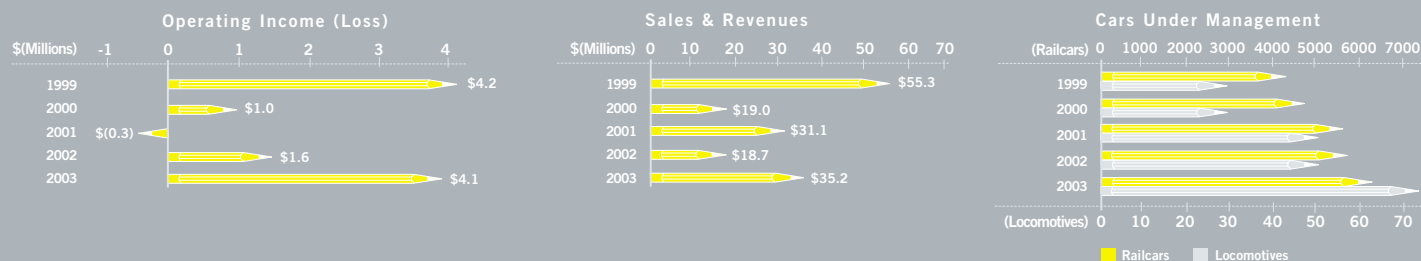
improved results. These gains were achieved in its plant nutrient and farm center businesses through a strong customer focus, an excellent market position with basic manufacturers, and strategically located distribution facilities.

A sizable portion of the Company's total spending on plant and equipment in 2003 was allocated to the Agriculture Group. Significant operating capital improvements were made to the group's facilities at Maumee, Ohio, and at Dunkirk and Seymour, Indiana. Begun in 2002, the capacity expansion project at Lordstown, Ohio, was completed in June of this year. During the year, the group exercised the option to purchase the fertilizer distribution facilities it had been leasing in Waterloo, Indiana. The group also became a minority investor in Lansing Grain Company LLC, a grain trading company. Late in the year, the group assumed operation of a grain elevator in Oakville, Indiana, under the terms of a short-term lease agreement. In early 2004 this facility has been purchased by the group.



AN EXTENSIVE INVENTORY OF ROLLING STOCK POSITIONS THE RAIL GROUP AMONG THE TOP RAILCAR MANAGEMENT COMPANIES IN THE NATION. IT IS THE GROUP'S ABILITY TO PROVIDE A FULL MENU OF CUSTOMER SERVICES, HOWEVER, THAT SETS IT APART FROM THE COMPETITION. ITS 84 EMPLOYEES HAVE A DECADE OF EXPERIENCE IN SALES AND LEASING, REPAIRING/RE-ENGINEERING CARS, AND CUSTOM FABRICATING COMPONENTS.





RAIL GROUP

The Rail Group sells and leases railcars and locomotives. Consistent with its goal of becoming a Total Rail SolutionsSM provider, the group also repairs and reconfigures various types of railcars to meet customer specifications and operates a custom steel-fabrication business. The group's rail marketing business has grown significantly in recent years and controlled more than 6,200 railcars and 74 locomotives at the end of 2003. The railcar fleet consists of covered hopper cars, boxcars, open top hopper cars, gondolas, and tank cars. The group leases its rolling stock to shippers, railroads and fleet owners in a wide range of industries throughout North America. The Rail Group is headquartered in Maumee, Ohio and operates repair facilities in Maumee and in South Carolina.

The group's total revenues were \$35.2 million in 2003. This was \$16.5 million, or 88 percent, above the \$18.7 million generated in 2002. Growth in railcar and locomotive leasing, railcar sales, and the group's shops all contributed to the revenue improvement in the past year.

Throughout the several-year period that the rail industry was experiencing a cyclical downturn, the Rail Group continued to expand the fleet of cars and locomotives it controlled. During 2003, as car values and lease rates began to rebound noticeably, the group continued to increase the size of its fleet. It also achieved significant improvement in the utilization rate of the railcar fleet from 85 percent in 2002 to more than 92 percent at the end of 2003. Because of the overall fleet growth and improved utilization rate, more cars were in income-producing service, and total leasing income increased. As the group continues to build the lease fleet, it is taking care to diversify it in terms of lease duration, car types, industries, customers and geographic dispersion. The Rail Group will continue to monitor credit quality of its customers diligently, and to match fund assets and liabilities as much as possible to effectively manage risk.

Throughout the year, a great deal of effort was devoted to the analysis and development of a business growth opportunity that

would more than double the size of the fleet controlled or managed by the group. This transaction was successfully completed in early 2004.

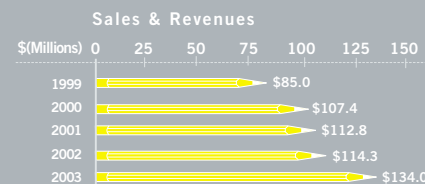
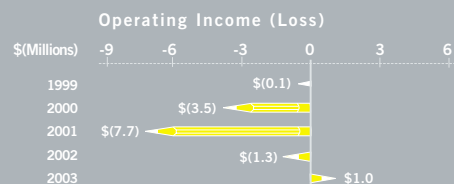
The railcar repair shop and the fabrication shop, both located in Maumee, Ohio, achieved excellent results in 2003. During the year, the group also launched a railcar repair business in South Carolina. The integration of these shops with the rail marketing business continues to bear fruit. As a Total Rail SolutionsSM provider for its customers, the group has the ability to design and fabricate a component, install it on a car, then sell or lease the refurbished car to a customer.

Because of the growth in all of its businesses during the year, the Rail Group's operating income also increased. In total, the group achieved an operating income of \$4.1 million in 2003, an improvement of \$2.5 million from the previous year.



THE PROCESSING GROUP PRODUCES AND DISTRIBUTES PRODUCTS THAT HELP ENSURE DANDELION-FREE LAWNS AND VELVETY GOLF GREENS. ITS 447 EMPLOYEES ARE RESPONSIBLE FOR BRANDED AND PRIVATE LABEL LAWN CARE AND GOLF COURSE PRODUCTS, CORNCOB-BASED PRODUCTS, ANIMAL BEDDING, CAT LITTER, AND ICE-MELT PRODUCTS SOLD BY DISTRIBUTORS AND RETAILERS NATIONWIDE.





PROCESSING GROUP

The Processing Group manufactures turf and ornamental plant fertilizer and control products for major retailers in the U.S. and is the industry's leading supplier of premium turf-care products for golf courses and other professional markets. It also produces corn-cob-based chemical and feed ingredient carriers, animal bedding, cat litter and ice-melter products. The group operates facilities in Maumee and Bowling Green, Ohio; Montgomery, Alabama; Delphi, Indiana; and Pottstown, Pennsylvania.

Total revenues were \$134 million in 2003, 17 percent higher than the \$114 million generated in 2002. The group's 2003 operating income of \$1.0 million reflected a \$2.3 million improvement from the prior year.

Sales of the group's turf care products increased in 2003. Total volume was up approximately 14 percent with percentage gains in professional markets slightly exceeding the volume growth through consumer and industrial accounts. Average gross margins declined slightly due to raw material cost increases and shifts in the relative mix of products and customers.

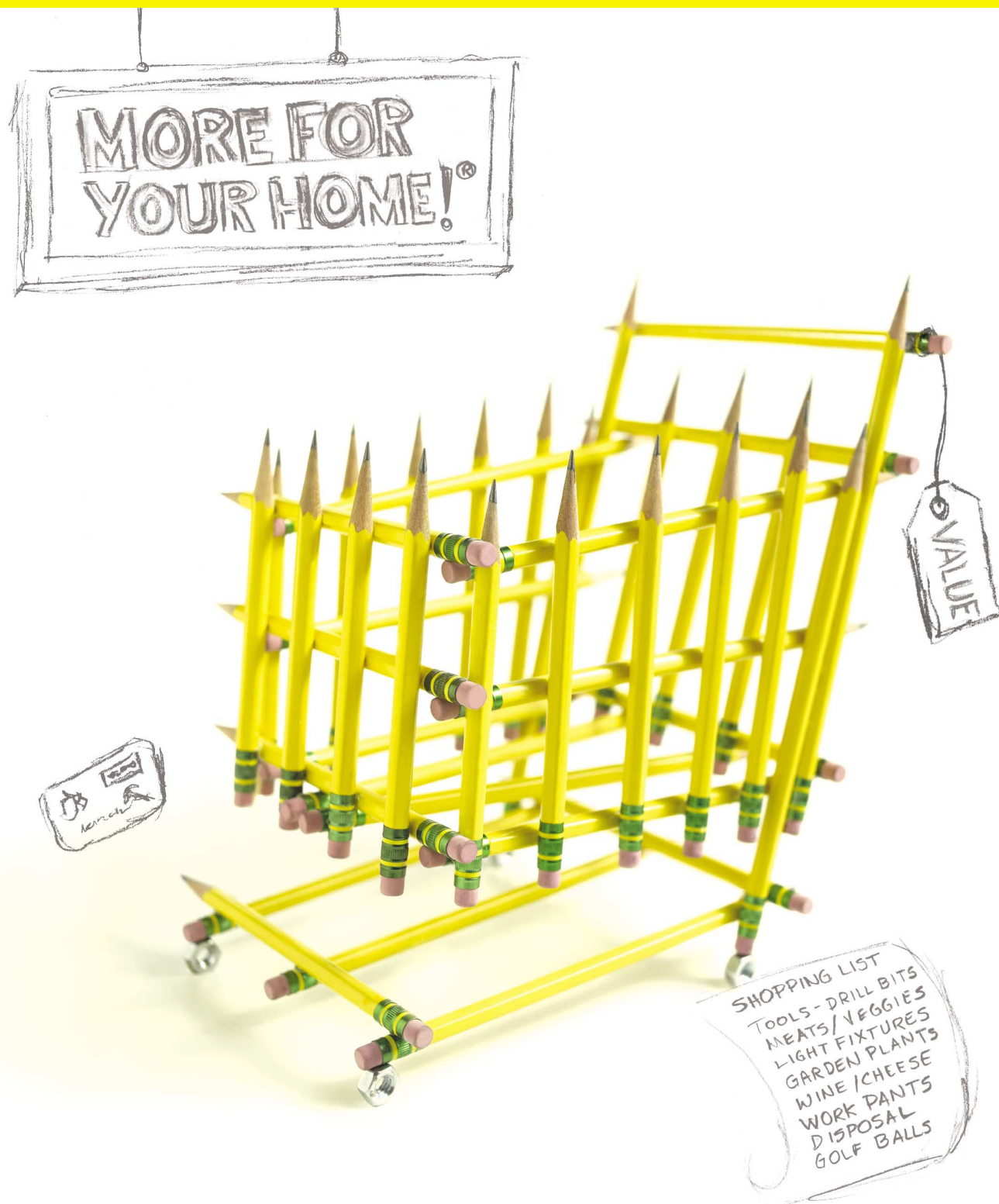
Retailers across the country continued to focus on controlling in-store inventories and just-in-time delivery of product to their stores in 2003. With our strategically located manufacturing and distribution facilities and supply-chain expertise, we were able to respond well to their requirements. Sales of turf-care products to the golf course market were negatively impacted in 2003 when the number of

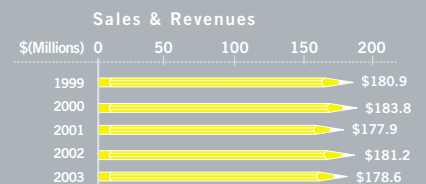
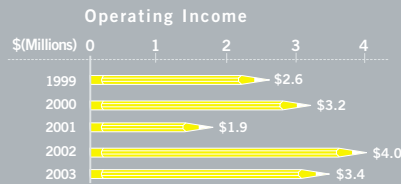
golf rounds played in the U.S. declined for the fourth consecutive year. Although the Processing Group was able to capitalize on modest growth in the commercial lawn care sector, its overall volume growth came primarily from market share gains.

The group's other businesses, the manufacture of cob-based chemical and feed ingredient carriers, animal bedding and litter products, also achieved revenue growth and a bottom-line improvement in 2003.



APPROXIMATELY 1,743 FULL AND PART-TIME RETAIL GROUP EMPLOYEES KEEP ITS SIX OHIO STORES STOCKED WITH EVERYTHING CUSTOMERS NEED FOR THEIR HOMES AND GARDENS. UNDER THE UMBRELLA CONCEPT OF MORE FOR YOUR HOME®, THE STORES ARE FAST BECOMING ONE-STOP SHOPPING DESTINATIONS THAT COMBINE TRADITIONAL HOME CENTER MERCHANDISE WITH DOMESTIC AND HOUSEWARES ITEMS, AND SPECIALTY FOODS.





RETAIL GROUP

The Retail Group operates six large stores in Ohio; three in the Toledo area, two in Columbus and one in Lima. Four are stand-alone facilities with in-store selling space of 130,000 or more square feet each. The other two are slightly smaller mall-based units. The goal of the Retail Group is to serve the needs of homeowners more effectively than competing home centers and mass merchants. Consistent with that goal, the group focuses on ensuring that shoppers enjoy an extraordinary shopping experience each time they visit The Andersons. The group's central message to the retail customer is MORE FOR YOUR HOME®.

The product offering in The Andersons stores includes a broad array of traditional home center merchandise - plumbing, electrical and building supplies, hardware, tools, kitchen and bath design, flooring, paint and lighting products. In addition to these, the stores feature lawn and garden products, extensive lines of housewares and domestics, workwear, pet supplies,

automotive supplies and sporting goods. Each store also has a specialty foods market with a unique offering of high quality foods including produce, a deli, a bakery, specialty gourmet foods, frozen and fresh meats, and one of the largest selections of fine wines in the Midwest.

Consistent with the general sluggishness reported by many retailers across the country, total sales for the Retail Group declined approximately 1.4% this year, from \$181 million in 2002 to \$179 million in 2003. Operating income of \$3.4 million for the year was also lower than the amount achieved in 2002.

The reduction in sales was partially offset by an increase in average gross margins primarily due to continued growth in food categories. During the year, a meat market was added in one of the Columbus stores and was well received immediately. All three Toledo-area stores had already added this product category and achieved further growth from it in 2003.

The group's lawn equipment sales and service center realized improved income for the year, rebounding from the effects of a drought in the region in 2002.

In an effort to improve its bottom line, the Retail Group continues its emphasis on operational factors such as working capital management, in-stock performance, and labor efficiency. It is also studying the sales impact of a major renovation completed early in the year at one of its Toledo-area stores.



REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS
OF THE ANDERSONS, INC.:

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of The Andersons, Inc. and its subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, cash flows, and shareholders' equity for each of the three years in the period ended December 31, 2003 (not presented herein) appearing in the Company's Annual Report on Form 10-K; and in our report dated March 8, 2004, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

As described in Note 2 to the consolidated financial statements, during 2002 the Company adopted EITF Topic D-96, "Accounting for Management Fees Based on a Formula."

PricewaterhouseCoopers LLP

Toledo, Ohio
March 8, 2004



CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per common share data)	Year ended December 31		
	2003	2002	2001
Sales and merchandising revenues	\$ 1,246,964	\$ 1,076,527	\$ 980,361
Cost of sales and merchandising revenues	1,082,870	913,426	819,610
Gross profit	164,094	163,101	160,751
Operating, administrative and general expenses	143,129	141,028	141,091
Interest expense	8,048	9,812	11,570
Other income / gains:			
Other income (net)	5,048	3,439	3,503
Gain on insurance settlements	—	302	338
Income before income taxes and cumulative effect of accounting change	17,965	16,002	11,931
Income tax provision	6,264	5,238	2,889
Income before cumulative effect of accounting change	11,701	10,764	9,042
Cumulative effect of change in accounting principle, net of income tax effect	—	3,480	(185)
Net income	\$ 11,701	\$ 14,244	\$ 8,857
Per common share:			
Basic earnings per share:			
Income before cumulative effect of accounting change	\$ 1.64	\$ 1.48	\$ 1.24
Cumulative effect of change in accounting principle, net of income tax effect	—	0.48	(0.02)
Net income	\$ 1.64	\$ 1.96	\$ 1.22
Diluted earnings per share			
Income before cumulative effect of accounting change	\$ 1.59	\$ 1.45	\$ 1.24
Cumulative effect of change in accounting principle, net of income tax effect	—	0.47	(0.03)
Diluted earnings	\$ 1.59	\$ 1.92	\$ 1.21
Dividends paid	\$ 0.28	\$ 0.26	\$ 0.26

The consolidated Statements of Income, Balance Sheets, Statements of Cash Flows and the Selected Financial Data: Five Year Summary have been condensed and should be read in conjunction with the audited consolidated financial statements included in the Company's 2003 Form 10K.



CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,444	\$ 6,095
Accounts and notes receivable:		
Trade receivables, less allowance for doubtful accounts of \$2,274 in 2003; \$3,014 in 2002	67,375	59,800
Margin deposits	1,171	–
	68,546	59,800
Inventories	259,755	256,275
Railcars available for sale	1,448	550
Deferred income taxes	3,563	2,894
Prepaid expenses and other current assets	17,223	11,675
Total current assets	356,979	337,289
Other assets:		
Pension asset	6,434	5,828
Other assets and notes receivable, less allowance for doubtful notes receivable of \$259 in 2003; \$222 in 2002	4,806	5,794
Investments in and advances to affiliates	2,462	969
	13,702	12,591
Railcar assets leased to others, net	29,489	26,399
Property, plant and equipment, net	92,449	92,939
	\$ 492,619	\$ 469,218
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable	\$ 48,000	\$ 70,000
Accounts payable for grain	88,314	75,422
Other accounts payable	72,291	60,285
Customer prepayments and deferred revenue	34,366	20,448
Accrued expenses	19,024	19,604
Current maturities of long-term debt	5,452	9,775
Total current liabilities	267,447	255,534
Deferred income and other long-term liabilities	1,359	1,098
Employee benefit plan obligations	14,493	12,198
Long-term debt, less current maturities	82,127	84,272
Deferred income taxes	11,402	10,351
Total liabilities	376,828	363,453
Shareholders' equity:		
Common shares, without par value		
Authorized – 25,000 shares		
Issued – 8,430 shares at stated value of \$0.01 per share	84	84
Additional paid-in capital	67,179	66,662
Treasury shares, at cost (1,229 in 2003; 1,258 in 2002)	(13,118)	(12,558)
Accumulated other comprehensive loss	(355)	(815)
Unearned compensation	(120)	(73)
Retained earnings	62,121	52,465
	115,791	105,765
	\$ 492,619	\$ 469,218



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)	Year ended December 31		
	2003	2002	2001
Operating activities			
Net income	\$ 11,701	\$ 14,244	\$ 8,857
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	15,139	14,314	14,264
Provision for losses on accounts and notes receivable	356	353	224
Cumulative effect of accounting change, net of income tax effect	–	(3,480)	185
Gain on insurance settlements	–	(302)	(338)
Gain on sale of property, plant and equipment	(273)	(406)	(336)
Realized and unrealized (gains) losses on railcars and related leases	(2,146)	(179)	1,172
Deferred income tax provision (benefit)	382	1,432	(539)
Other	446	91	368
Cash provided by operations before changes in operating assets and liabilities	25,605	26,067	23,857
Changes in operating assets and liabilities:			
Accounts and notes receivable	(9,170)	(5,249)	2,080
Inventories	(3,480)	(17,984)	(26,428)
Prepaid expenses and other assets	(6,619)	(474)	(117)
Accounts payable for grain	12,893	8,454	(500)
Other accounts payable and accrued expenses	24,864	12,435	(5,000)
Net cash provided by (used in) operating activities	44,093	23,249	(6,108)
Investing activities			
Purchases of property, plant and equipment	(11,749)	(9,834)	(9,155)
Purchases of railcars	(20,498)	(8,203)	(21,790)
Proceeds from sale or financing of railcars and related leases	16,710	15,985	15,376
Investment in affiliate	(1,182)	–	–
Proceeds from sale of property, plant and equipment	607	598	951
Proceeds from insurance settlements	–	302	338
Net cash used in investing activities	(16,112)	(1,152)	(14,280)
Financing activities			
Net increase (decrease) in short-term borrowings	(22,000)	(12,600)	11,300
Proceeds from issuance of long-term debt	2,916	22,333	23,250
Payments of long-term debt	(9,385)	(29,976)	(10,845)
Change in overdrafts	3,126	2,866	(7,796)
Payment of debt issue costs	–	(634)	–
Proceeds from sale of treasury shares under stock compensation plans	964	840	332
Dividends paid	(2,009)	(1,903)	(1,907)
Purchase of treasury shares	(1,244)	(2,625)	(1,387)
Net cash provided by (used in) financing activities	(27,632)	(21,699)	12,947
Increase (decrease) in cash and cash equivalents	349	398	(7,441)
Cash and cash equivalents at beginning of year	6,095	5,697	13,138
Cash and cash equivalents at end of year	\$ 6,444	\$ 6,095	\$ 5,697

SELECTED FINANCIAL DATA: FIVE YEAR SUMMARY

	For the years ended December 31				
	2003	2002	2001	2000	1999
(in thousands, except for per share and ratios and other data)					
Operating results					
Grain sales and revenues	\$ 704,574	\$ 583,947	\$ 475,953	\$ 488,204	\$ 507,024
Fertilizer, retail & other sales	542,390	492,580	504,408	470,301	494,780
Total sales & revenues	1,246,964	1,076,527	980,361	958,505	1,001,804
Gross profit – grain	41,783	47,348	52,029	46,789	41,586
Gross profit – fertilizer, retail & other	122,311	115,753	108,722	111,393	109,452
Total gross profit	164,094	163,101	160,751	158,182	151,038
Net income	11,701	14,244	8,857	10,078	8,379
Financial position					
Total assets	\$ 492,619	\$ 469,218	\$ 458,324	\$ 442,965	\$ 379,663
Working capital	89,532	81,755	75,228	55,260	67,939
Long-term debt (a)	82,127	84,272	91,316	80,159	74,127
Shareholders' equity	115,791	105,765	94,934	89,836	84,805
Cash flows / liquidity					
Cash flows from operations	\$ 44,093	\$ 23,249	\$ (6,108)	\$ (18,303)	\$ 11,679
Depreciation and amortization	15,139	14,314	14,264	13,119	11,282
Cash invested in acquisitions / investments in affiliates	1,182	–	–	16,311	–
Investments in property, plant & equipment	11,749	9,834	9,155	16,189	17,963
Net investment in (sale of) railcars (b)	3,788	(7,782)	6,414	12,424	214
EBITDA (d)	41,152	40,128	37,765	39,312	32,758
Per share data:					
Net income – basic	\$ 1.64	\$ 1.96	\$ 1.22	\$ 1.34	\$ 1.05
Net income – diluted	1.59	1.92	1.21	1.34	1.03
Dividends paid	0.28	0.26	0.26	0.24	0.20
Year-end market value	15.97	12.70	10.00	8.62	8.25
Ratios and other data					
Pretax return on beginning equity	17.0%	16.9%	13.3%	16.9%	14.5%
Net income return on beginning equity	11.1%	15.0%	9.9%	11.9%	10.1%
Funded long-term debt to equity ratio (c)	0.7-to-1	0.8-to-1	1.0-to-1	0.9-to-1	0.9-to-1
Weighted average shares outstanding	7,141	7,283	7,281	7,507	7,996
Effective tax rate	34.9%	32.7%	24.2%	29.8%	29.9%

Note: Prior year presentations have been changed to conform to the 2003 presentation; these changes did not impact net income.

(a) Excludes current portion of long-term debt

(b) Represents the net of purchases of railcars offset by proceeds from the sale of railcars. In 2002, proceeds exceeded purchases.

(c) Calculated by dividing long-term debt by total year end equity as stated under "Financial Position."

(d) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. We believe that EBITDA provides additional

information for investors and others in determining our ability to meet debt service obligations. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements. Because EBITDA, as determined by us, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies. For a reconciliation to operating cash flow, see Item 6 in our Form 10-K.



BOARD OF DIRECTORS



MICHAEL J. ANDERSON
President
& Chief Executive Officer
The Andersons, Inc.



RICHARD P. ANDERSON
Chairman
The Andersons, Inc.



THOMAS H. ANDERSON
Chairman Emeritus
The Andersons, Inc.



JOHN F. BARRETT (2) (3)
Chairman, President &
Chief Executive Officer
The Western & Southern
Financial Group



PAUL M. KRAUS
Attorney
Marshall & Melhorn LLC



DONALD L. MENNEL (1) (3)
President & Treasurer
The Menzel Milling
Company



DAVID L. NICHOLS (1) (3)
President & Chief Operating Officer,
Rich's Lazarus Goldsmith's Macy's
Division of Federated Department
Stores, Inc.



DR. SIDNEY RIBEAU (2) (3)
President
Bowling Green State University



CHARLES A. SULLIVAN (1) (3)
Past Chairman & CEO
Interstate Bakeries Corp.



JACQUELINE F. WOODS (2) (3)
Retired President
SBC Ohio

- (1) Audit Committee
(2) Compensation Committee
(3) Governance/Nominating Committee



CORPORATE OFFICERS

DENNIS J. ADDIS
President, Plant Nutrient Division

DANIEL T. ANDERSON
President, Retail Group

MICHAEL J. ANDERSON
President & Chief Executive Officer

RICHARD M. ANDERSON
President, Processing Group

RICHARD P. ANDERSON
Chairman

DALE W. FALLAT
Vice President, Corporate Services

PHILIP C. FOX
Vice President, Corporate Planning

CHARLES E. GALLAGHER
Vice President, Human Resources

RICHARD R. GEORGE
Vice President, Controller & CIO

BEVERLY J. MCBRIDE
Vice President, General Counsel &
Corporate Secretary

HAROLD M. REED
President, Grain Division

RASESH H. SHAH
President, Rail Group

GARY L. SMITH
Vice President, Finance & Treasurer

INVESTOR INFORMATION

CORPORATE OFFICES
The Andersons, Inc.
480 West Dussel Drive
Maumee, OH 43537
419-893-5050
www.andersonsinc.com

NASDAQ SYMBOL

The Andersons, Inc. common shares are traded on the Nasdaq National Market tier of The Nasdaq Stock Market under the symbol ANDE

SHAREHOLDERS

As of February 28, 2004, there were 7.2 million shares of common stock outstanding: 674 shareholders of record and approximately 2,500 shareholders for whom security firms acted as nominees.

TRANSFER AGENT & REGISTRAR
Computershare Investor Services, LLC
2 North LaSalle Street
Chicago, IL 60602
312-588-4991

FORM 10-K
Additional copies of the Andersons' 2003 Form 10-K, filed in mid-March 2004 with the SEC, are available to stockholders and interested individuals without charge by writing or calling Investor Relations.

INVESTOR RELATIONS
Gary L. Smith
Vice President, Finance & Treasurer
419-891-6417
gary_smith@andersonsinc.com

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
Toledo, OH

ANNUAL MEETING

The annual shareholders' meeting of The Andersons, Inc. will be held at The Andersons' Headquarters, 480 West Dussel Drive, Maumee, OH 43537 at 1:30 p.m. on May 13, 2004.



SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission file number 000-20557

THE ANDERSONS, INC.

(Exact name of registrant as specified in its charter)

OHIO
(State or other jurisdiction of
incorporation or organization)

34-1562374
(I.R.S. Employer
Identification No.)

480 W. Dussel Drive, Maumee, Ohio
(Address of principal executive offices)

43537
(Zip Code)

Registrant's telephone number, including area code (419) 893-5050

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Shares

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

The aggregate market value of the registrant's voting stock which may be voted by persons other than affiliates of the registrant was \$70.4 million on June 30, 2003, computed by reference to the last sales price for such stock on that date as reported on the Nasdaq National Market.

The registrant had 7.25 million Common shares outstanding, no par value, at February 27, 2004.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 13, 2004, are incorporated by reference into Part III (Items 10, 11 and 12) of this Annual Report on Form 10-K. The Proxy Statement will be filed with the Commission on or about March 15, 2004.

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SIGNATURES

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-

PART I

Item 1. Business

(a) General development of business

The Andersons, Inc. (the “Company”) is a diversified corporation that began operations as a partnership in 1947. The Company is organized into four operating groups. The Agriculture Group purchases and merchandises grain, operates grain elevator facilities located in Ohio, Michigan, Indiana and Illinois, manufactures and sells dry and liquid agricultural nutrients, distributes agricultural inputs (nutrients, chemicals, seed and supplies) to dealers and farmers and formulates anti-icers for road and runway use. The Rail Group sells, repairs, reconfigures, manages and leases railcars and locomotives. The Processing Group manufactures turf and ornamental plant fertilizer and control products for lawn and garden use, professional golf and landscaping industries and corncob-based products for use in various industries. The Retail Group operates six large retail stores, and a distribution center in Ohio.

(b) Financial information about industry segments

See Note 13 to the consolidated financial statements in Item 8 for information regarding business segments.

(c) Narrative description of business

Agriculture Group

The Agriculture Group operates grain elevators, plant nutrient formulation and distribution facilities, and farm centers.

The Company’s grain operations involve merchandising grain and operating terminal grain elevator facilities. This includes purchasing, handling, processing and conditioning grain, storing grain purchased by the Company as well as grain owned by others, and selling grain. The principal grains sold by the Company are yellow corn, yellow soybeans and soft red and white wheat. The Company’s grain storage practical capacity was approximately 81.8 million bushels at December 31, 2003.

Grain merchandised by the Company is grown in the Midwestern portion of the United States (the eastern corn belt) and is acquired from country elevators (grain elevators located in a rural area, served primarily by trucks (inbound and outbound) and possibly rail (outbound)), dealers and producers. The Company makes grain purchases at prices referenced to Chicago Board of Trade (“CBOT”) quotations. The Company competes for the purchase of grain with grain processors, regional cooperatives and animal feed operations, as well as with other grain merchandisers. Because the Company generally buys in smaller lots, its competition is generally local or regional in scope, although there

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are some large, national and international companies that maintain regional grain purchase and storage facilities. Some of these competitors are significantly larger than the Company.

In 1998, the Company signed a five-year lease agreement (“Lease Agreement”) and a five-year marketing agreement (“Marketing Agreement”) with Cargill, Incorporated (“Cargill”) for Cargill’s Maumee and Toledo, Ohio grain handling and storage facilities. As part of the agreement, Cargill was given the marketing rights to grain in the Cargill-owned facilities as well as the adjacent Company-owned facilities in Maumee and Toledo. These agreements cover 39%, or approximately 32.2 million bushels, of the Company’s total storage space and became effective on June 1, 1998. These contracts were renewed with amendments in 2003 for an additional five years. Grain sales to Cargill totaled \$197 million in 2003, and include grain covered by the Marketing Agreement as well as grain sold to Cargill via normal forward sales from locations not covered by the Marketing Agreement. If the Marketing Agreement were not in place for the Maumee and Toledo locations, Cargill would still purchase grain from us at these locations either for consumption in their processing facilities or to market to other end users. There were no sales to any other customer in excess of 10% of consolidated net sales. The 2003 Lease Agreement and Marketing Agreement have been filed as Exhibits 10.6 and 10.7.

Approximately 72% of the grain bushels sold by the Company in 2003 were purchased by U.S. grain processors and feeders, and approximately 28% were exported. Exporters purchased most of the exported grain for shipment to foreign markets, while some grain is shipped directly to foreign countries, mainly Canada. Almost all grain shipments are by rail or boat. Rail shipments are made primarily to grain processors and feeders, with some rail shipments made to exporters on the Gulf of Mexico or east coast. Boat shipments are from the Port of Toledo. Grain sales are made on a negotiated basis by the Company’s merchandising staff, except for grain sales subject to the marketing agreement with Cargill which are made on a negotiated basis with Cargill’s merchandising staff.

The Company’s grain business may be adversely affected by the grain supply (both crop quality and quantity) in its principal growing area, government regulations and policies, conditions in the shipping and rail industries and commodity price levels. See “Government Regulation” on page 9. The grain business is seasonal, coinciding with the harvest of the principal grains purchased and sold by the Company.

Fixed price purchase and sale commitments for grain and grain held in inventory expose the Company to risks related to adverse changes in price. The Company attempts to manage these risks by hedging fixed price purchase and sale contracts and inventory through the use of futures and option contracts with the CBOT. The CBOT is a regulated commodity futures exchange that maintains futures markets for the grains merchandised by the Company. Futures prices are determined by worldwide supply and demand.

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The Company's hedging program is designed to reduce the risk of changing commodity prices. In that regard, hedging transactions also limit potential gains from further changes in market prices. The Grain division's profitability is primarily derived from margins on grain sold, and revenues generated from other merchandising activities with its customers (including storage income), not from hedging transactions. The Company has policies that specify the key controls over its hedging program. These policies include description of the hedging programs, mandatory review of positions by key management outside of the trading function on a biweekly basis, daily position limits, daily review and reconciliation, modeling of positions for changes in market conditions and other internal controls.

Purchases of grain can be made the day the grain is delivered to a terminal or via a forward contract made prior to actual delivery. Sales of grain generally are made by contract for delivery in a future period. When the Company purchases grain at a fixed price, the purchase is hedged with the sale of a futures contract on the CBOT. Similarly, when the Company sells grain at a fixed price, the sale is hedged with the purchase of a futures contract on the CBOT. At the close of business each day, the open inventory ownership positions as well as open futures and option positions are marked-to-market. Gains and losses in the value of the Company's inventory positions due to changing market prices are netted with and generally offset by losses and gains in the value of the Company's futures positions.

When a futures contract is entered into, an initial margin deposit must be sent to the CBOT. The amount of the margin deposit is set by the CBOT and varies by commodity. If the market price of a futures contract moves in a direction that is adverse to the Company's position, an additional margin deposit, called a maintenance margin, is required by the CBOT. Subsequent price changes could require additional maintenance margins or result in the return of maintenance margins by the CBOT. Significant increases in market prices, such as those that occur when weather conditions are unfavorable for extended periods, can have an effect on the Company's liquidity and, as a result, require it to maintain appropriate short-term lines of credit. The Company may utilize CBOT option contracts to limit its exposure to potential required margin deposits in the event of a rapidly rising market.

The Company's grain operations rely on forward purchase contracts with producers, dealers and country elevators to ensure an adequate supply of grain to the Company's facilities throughout the year. Bushels contracted for future delivery at January 31, 2004 approximated 57.0 million, the majority of which is scheduled to be delivered to the Company for the 2003 and 2004 crop years (i.e., through September 2005). The Company relies heavily on its hedging program as the method for minimizing price risk in its grain inventories and contracts. The Company monitors current market conditions and may expand or reduce the purchasing program in response to changes in those conditions. In addition, the Company reviews its purchase contracts and the parties to those contracts on a regular basis for credit worthiness, defaults and non-delivery. The

Company's loan agreements also require it to be substantially hedged in its grain transactions.

The Company has also developed the Crop Revenue Profiler® software program to assist producers in making complex risk management decisions. This software program integrates the variables of crop insurance and government programs with our grain marketing philosophy to help producers achieve a more predictable result, reducing the impact of volatile crop prices. By helping producers achieve more stable earnings, the Company helps to ensure a consistent supply of grain to its facilities.

In January 2003, the Company became a minority investor in Lansing Grain Company LLC, which was formed in late 2002 with the contribution of substantially all the assets of Lansing Grain Company, a 73-year old grain trading business with offices in Michigan, Minnesota and Kansas. This investment provides the Company a further opportunity to expand outside of its traditional geographic regions. The Company holds an option to increase its investment in each of the next five years with the potential of becoming the majority holder in 2008. In February 2004, the Company made an additional investment to increase its ownership from 15.1% to 22.1%.

In October 2003, the Company began leasing and managing a grain elevator in Oakville, Indiana with a capacity of 3.5 million bushels. In January 2004, the Company completed the purchase of the inventories and grain contracts and subsequently, the purchase of the facility was completed in late January.

The Company competes in the sale of grain with other grain merchants, other elevator operators and farmer cooperatives that operate elevator facilities. Competition is based primarily on price, service and reliability. Some of the Company's competitors are also its customers and many of its competitors have substantially greater financial resources than the Company.

Grain sales make up 70-80% of the total sales in the Agriculture Group. Approximately 50% of grain bushels purchased are done so using forward contracts. On the sell-side, approximately 90% of grain bushels sold are done so under forward contracts.

The Company's plant nutrient operations involve purchasing, storing, formulating and selling dry and liquid fertilizer to dealers and farmers; providing warehousing and services to manufacturers and customers; formulation of liquid anti-icers and deicers for use on roads and runways; and the distribution of seeds and various farm supplies. Finally, the division has developed several other products for use in industrial applications within the coal and paper industries. The major fertilizer ingredients sold by the Company are nitrogen, phosphate and potash, all of which are readily available.

The Company's market area for its plant nutrient wholesale business includes major agricultural states in the Midwest, North Atlantic and South. States with the highest

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concentration of sales are also the states where the Company's facilities are located - Illinois, Indiana, Michigan and Ohio. Customers for the Company's fertilizer products are principally retail dealers. Sales of agricultural fertilizer products are heaviest in the spring and fall. The Plant Nutrient division's nine farm centers, located throughout Michigan, Indiana and Ohio, are located within the same regions as the Company's other agricultural facilities. These farm centers offer agricultural fertilizer, custom application of fertilizer, and chemicals, seeds and supplies to the farmer.

Storage capacity at the Company's fertilizer facilities, including its nine farm centers, was approximately 13.6 million cubic feet for dry fertilizers and approximately 35.9 million gallons for liquid fertilizers at December 31, 2003. The Company reserves 6.1 million cubic feet of its dry storage capacity for various fertilizer manufacturers and customers and 12.0 million gallons of its liquid fertilizer capacity is reserved for manufacturers and customers. The agreements for reserved space provide the Company storage and handling fees and are generally for an initial term of one year, renewable at the end of each term. The Company also leases 0.8 million gallons of liquid fertilizer capacity under arrangements with various fertilizer dealers and warehouses in locations where the Company does not have facilities.

In its plant nutrient businesses, the Company competes with regional and local cooperatives, fertilizer manufacturers, multi-state retail/wholesale chain store organizations and other independent wholesalers of agricultural products. Many of these competitors have considerably larger resources than the Company. Competition in the agricultural products business of the Company is based principally on price, location and service.

Sales of grain (corn, soybeans, wheat and oats) totaled \$681.0 million, \$554.1 million and \$434.7 million in 2003, 2002 and 2001, respectively. Sales of dry and liquid fertilizers (primarily potash, nitrogen and phosphate) to dealers totaled \$153.7 million, \$135.1 million and \$134.0 million in 2003, 2002 and 2001, respectively. Sales of fertilizer, chemicals, seeds and supplies to farmers totaled \$34.2 million, \$36.7 million and \$42.4 million in 2003, 2002 and 2001, respectively.

Rail Group

The Company's Rail Group buys, sells, leases, rebuilds and repairs various types of used railcars and rail equipment. The Group also provides fleet management services to fleet owners and operates a custom steel fabrication business. A significant portion of the railcar fleet is leased from financial lessors and sub-leased to end-users, generally under operating leases which do not appear on the balance sheet. In addition, the Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such transactions, the Company generally provides ongoing

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railcar maintenance and management services for the financial intermediary, receiving a fee for these services. The Company generally holds purchase options on most railcars owned by financial intermediaries.

Of the 6,291 railcars that the Company managed at December 31, 2003, 2,668, or 42%, were included on the balance sheet, primarily as long-lived assets. The remaining 3,623 railcars and 74 locomotives are either in off-balance sheet operating leases or non-recourse arrangements. The Company also managed 1,264 railcars for a third party customer at December 31, 2003.

The risk management philosophy of the Company includes match-funding of lease commitments and detailed review of lessee credit quality. Match-funding (in relation to rail lease transactions) means matching the terms between the lease with the customer and the funding arrangement with the financial intermediary. Generally, the Company completes non-recourse transactions whenever possible to minimize credit risk. The Company strives to be the Total Rail SolutionsSM provider for its railcar customers. This service mark depicts our willingness to serve the customers' total railcar needs - including maintenance, car management, repairs, leasing, and all other railcar needs.

Competition for railcar marketing and fleet maintenance services is based primarily on service ability, and access to both used rail equipment and third party financing. Repair and fabrication shop competition is based primarily on price, quality and location.

Although the Company first managed a fleet of covered hopper cars used in the grain industry, it has diversified into other car types (boxcars, gondolas, open top hoppers and tank cars) and the markets in which they serve. In 2000, the Company added locomotives to the managed fleet. The Company plans to continue to diversify its fleet both in car types and industries.

The Company announced on February 12, 2004 that it completed the acquisition of certain railroad rolling stock and leasing assets from Railcar Ltd. and Progress Rail Services Corporation, both of which are part of Progress Energy, Inc. These assets consist of 6,700 railcars, 48 locomotives and contracts to manage an additional 2,600 railcars for third party investors, all of which will be managed by the Company's Rail Group. The assets will be owned primarily by several subsidiaries of TOP CAT Holding Co, a newly formed Limited Liability Company (LLC) which is a wholly-owned subsidiary of the Company. Financing for the acquisition was provided by \$86.4 million in non-recourse notes.

Processing Group

The Processing Group produces and markets turf and ornamental plant fertilizer and control products. It also produces and distributes corncob-based products to the chemical carrier, pet and industrial markets.

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The Company sells consumer fertilizer and control products, for “do-it-yourself” application, to mass merchandisers, small independent retailers and other lawn fertilizer manufacturers. The Company also performs contract manufacturing of fertilizer and control products in its industrial line of business. In an industrial arrangement, the Company is not responsible for direct marketing support of the mass merchandiser. Margins on industrial tons are, therefore, lower than margins on consumer tons. Professional lawn products are sold both directly and through distributors to golf courses under the Andersons Golf ProductsTM label and lawn service applicators.

The turf products industry is highly seasonal, with the majority of sales occurring from early spring to early summer. During the off-season, the Company sells ice melt products to many of the same customers that purchase consumer turf products. Since the acquisition in 2000 of the U.S. ProTurf® product line from The Scotts Company, Inc., the Company holds a significant share of the golf course market in the United States. Principal raw materials for the turf care products are nitrogen, phosphate and potash, which are purchased primarily from the Company’s Plant Nutrient division. Competition is based principally on merchandising ability, logistics, service and quality. The Company attempts to minimize the amount of finished goods inventory it must maintain for customers, however, because demand is highly seasonal and influenced by local weather conditions, it may be required to carry inventory that it has produced into the next season. Also, because a majority of the consumer and industrial businesses use private label packaging, the Company closely manages production to anticipated orders by product and customer. This is consistent with industry practices.

Sales of turf and ornamental plant fertilizer and control products totaled \$123.3 million, \$103.3 million and \$102.2 million in 2003, 2002 and 2001, respectively.

The Company is one of a limited number of processors of corncob-based products in the United States. These products serve the chemical and feed ingredient carrier, animal litter and industrial markets, and are distributed throughout the United States and Canada and into Europe and Asia. The principal sources for the corncobs are seed corn producers.

Retail Group

The Company’s Retail Group consists of six stores operated as “The Andersons”, which are located in the Columbus, Lima and Toledo, Ohio markets and serve urban, suburban and rural customers. The retail concept is “MORE FOR YOUR HOME”® and includes a full line of home center products plus a wide array of other items not available at the more traditional home center stores. In addition to hardware, home remodeling and lawn and garden products, The Andersons stores offer housewares, automotive products, sporting goods, pet products, bath soft goods and food (bakery, deli, produce, wine and specialty groceries). Each store carries more than 80,000 different items, has 100,000 square feet or more of in-store display space plus 40,000 or more square feet of outdoor

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garden center space, and features do-it-yourself clinics, special promotions and varying merchandise displays. The majority of the Company's non-perishable merchandise is received at a distribution center located in Maumee, Ohio.

The retail merchandising business is highly competitive. The Company competes with a variety of retail merchandisers, including home centers, department and hardware stores. Many of these competitors have substantially greater financial resources than the Company. The principal competitive factors are location, quality of product, price, service, reputation and breadth of selection. The Company's retail business is affected by seasonal factors with significant sales occurring in the spring and during the Christmas season.

The Company also operates a sales and service facility for outdoor power equipment near one of its conventional retail stores.

Sales of retail merchandise totaled \$178.6 million, \$181.2 million and \$177.9 million in 2003, 2002 and 2001, respectively.

Research and Development

The Company's research and development program is mainly involved with the development of improved products and processes, primarily for the Processing and Agriculture Groups. The Company expended approximately \$649,000, \$517,000, and \$430,000 on research and development activities during 2003, 2002 and 2001, respectively.

Employees

At December 31, 2003, the Company had 1,227 full-time and 1,661 part-time or seasonal employees. The Company believes its relations with its employees are good.

Government Regulation

Grain sold by the Company must conform to official grade standards imposed under a federal system of grain grading and inspection administered by the United States Department of Agriculture ("USDA").

The production levels, markets and prices of the grains that the Company merchandises are materially affected by United States government programs, which include acreage control and price support programs of the USDA. Also, under federal law, the President may prohibit the export of any product, the scarcity of which is deemed detrimental to the domestic economy, or under circumstances relating to national security. Because a portion of the Company's grain sales is to exporters, the imposition of such restrictions could have an adverse effect upon the Company's operations.

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The Company, like other companies engaged in similar businesses, is subject to a multitude of federal, state and local environmental protection laws and regulations including, but not limited to, laws and regulations relating to air quality, water quality, pesticides and hazardous materials. The provisions of these various regulations could require modifications of certain of the Company's existing plant and processing facilities and could restrict the expansion of future facilities or significantly increase the cost of their operations. The Company made capital expenditures of approximately \$1,440,000, \$690,000 and \$880,000 in order to comply with these regulations in 2003, 2002 and 2001, respectively.

Item 2. Properties

The Company's principal agriculture, retail and other properties are described below. Except as otherwise indicated, the Company owns all properties.

Agriculture Facilities

(in thousands) Location	Grain Storage (bushels)	Agricultural Fertilizer	
		Dry Storage (cubic feet)	Liquid Storage (gallons)
Maumee, OH (3)	20,510	4,500	2,878
Toledo, OH Port (4)	11,660	1,800	5,623
Metamora, OH	6,980	—	—
Toledo, OH (1)	980	—	—
Lyons, OH (2)	380	53	284
Lordstown, OH	—	530	—
Gibsonburg, OH (2)	—	37	349
Fremont, OH (2)	—	40	271
Fostoria, OH (2)	—	40	210
Champaign, IL	12,730	833	—
Dunkirk, IN	7,800	833	—
Delphi, IN	7,060	923	—
Clymers, IN	4,720	—	—
Oakville, IN (5)	3,450	—	—
Walton, IN (2)	—	435	8,690
Poneto, IN	—	10	5,284
Logansport, IN	—	83	3,652
Waterloo, IN (2)	—	970	1,656
Seymour, IN	—	720	943
North Manchester, IN (2)	—	—	211
Albion, MI	2,780	—	—
White Pigeon, MI	2,700	—	—
Webberville, MI	—	1,747	5,060
Litchfield, MI (2)	—	30	438
Munson, MI (2)	—	33	312
	<u>81,750</u>	<u>13,617</u>	<u>35,861</u>

- (1) Facility leased.
- (2) Facility is or includes a farm center.
- (3) Includes leased facilities with a 3,300-bushel capacity.
- (4) Includes leased facilities with a 5,500-bushel capacity.
- (5) Facility leased at December 31, 2003 and subsequently purchased in January 2004.

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The grain facilities are mostly concrete and steel tanks, with some flat storage, which is primarily cover-on-first temporary storage. The Company also owns grain inspection buildings and dryers, maintenance buildings and truck scales and dumps.

The Plant Nutrient Division's wholesale fertilizer and farm center properties consist mainly of fertilizer warehouse and distribution facilities for dry and liquid fertilizers. The Maumee, Ohio; Seymour, Indiana; and Walton, Indiana locations have fertilizer mixing, bagging and bag storage facilities. The Maumee, Ohio; Webberville, Michigan; Logansport, Indiana; Walton, Indiana and Poneto, Indiana locations also include liquid manufacturing facilities.

Retail Store Properties

Name	Location	Square Feet
Maumee Store	Maumee, OH	131,000
Toledo Store	Toledo, OH	130,000
Woodville Store (1)	Northwood, OH	100,000
Lima Store (1)	Lima, OH	117,000
Sawmill Store	Columbus, OH	134,000
Brice Store	Columbus, OH	128,000
Distribution Center (1)	Maumee, OH	245,000

(1) Leased

The leases for the two stores and the distribution center are long-term operating leases with several renewal options and provide for minimum aggregate annual lease payments approximating \$1.1 million. The two store leases provide for contingent lease payments based on achieved sales volume. One store had sales triggering payments of contingent rental each of the last three years. In addition, the Company owns a service and sales facility for outdoor power equipment adjacent to its Maumee, Ohio retail store.

Other Properties

In its railcar business, the Company owns, leases or manages for financial institutions 74 locomotives and 6,291 railcars (primarily covered or open hoppers with some boxcars, tank cars and gondolas). Future minimum lease payments for the leased railcars and locomotives are \$24.1 million with future minimum contractual lease and service income of approximately \$53.1 million. Lease terms range from one to nine years. The Company also operates railcar repair facilities in Maumee, Ohio and Spartanburg, South Carolina, a steel fabrication facility in Maumee, Ohio, and owns or leases a number of switch engines, mobile repair units, cranes and other equipment. As discussed in Item 1, the Rail Group expanded its fleet by 6,700 railcars and 48 locomotives in a transaction that closed in February 2004. This transaction also included contracts to manage approximately 2,600 railcars for third party investors.

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The Company owns lawn fertilizer production facilities in Maumee, Ohio; Bowling Green, Ohio; and Montgomery, Alabama. It also owns corncob processing and storage facilities in Maumee, Ohio and Delphi, Indiana. The Company leases lawn fertilizer warehouse facilities in Toledo, Ohio and Montgomery, Alabama and lawn fertilizer production and warehouse facilities in Pottstown, Pennsylvania.

The Company also owns an auto service center that is leased to its former venture partner. The Company's administrative office building is leased under a net lease expiring in 2005. The lease includes an option to purchase by the Company at termination. The Company owns approximately 1,076 acres of land on which the above properties and facilities are located and approximately 366 acres of farmland and land held for sale or future use.

Real properties, machinery and equipment of the Company were subject to aggregate encumbrances of approximately \$50 million at December 31, 2003. Additions to property, including intangible assets but excluding railcar assets, for the years ended December 31, 2003, 2002 and 2001 amounted to \$11.7 million, \$9.8 million and \$9.2 million, respectively. Additions to the Company's railcar assets totaled \$20.5 million, \$8.2 million and \$21.8 million for the years ended December 31, 2003, 2002 and 2001, respectively. These additions were offset by sales of railcars of \$16.7 million, \$16.0 million and \$15.4 million for the same periods. See Note 10 to the Company's consolidated financial statements in Item 8 for information as to the Company's leases.

The Company believes that its properties, including its machinery, equipment and vehicles, are adequate for its business, well maintained and utilized, suitable for their intended uses and adequately insured.

Item 3. Legal Proceedings

The Company has been named as a defendant in various lawsuits arising in the ordinary course of business. It is not possible at the present time to estimate the ultimate outcome of these actions; however, management believes that the resultant liability, if any, will not be material based on previous experience with lawsuits of these types.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were voted upon during the fourth quarter of fiscal 2003.

Item 4a. Executive Officers of the Registrant

The information under this Item 4A is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of The Andersons, Inc., their positions and age (as of February 27, 2004) are presented below.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Year Assumed</u>
Dennis J. Addis	President, Plant Nutrient Division, Agriculture Group Vice President and General Manager, Plant Nutrient Division, Agriculture Group	51	2000 1999
Daniel T. Anderson	President, Retail Group	48	1996
Michael J. Anderson	President and Chief Executive Officer President and Chief Operating Officer	52	1999 1996
Richard M. Anderson	President, Processing Group	47	1999
Richard P. Anderson	Chairman of the Board Chairman of the Board and Chief Executive Officer	74	1999 1996
Dale W. Fallat	Vice President, Corporate Services	59	1992
Philip C. Fox	Vice President, Corporate Planning	61	1996
Charles E. Gallagher	Vice President, Human Resources	62	1996
Richard R. George	Vice President, Controller and CIO Vice President and Controller	54	2002 1996
Beverly J. McBride	Vice President, General Counsel and Secretary	62	1996
Harold M. Reed	President, Grain Division Vice President and General Manager, Grain Division, Agriculture Group	47	2000 1999
Rasesh H. Shah	President, Rail Group	49	1999
Gary L. Smith	Vice President, Finance and Treasurer	58	1996

PART II**Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters**

The Common Shares of The Andersons, Inc. trade on the Nasdaq National Market under the symbol "ANDE." On February 27, 2004, the closing price for the Company's Common Shares was \$19.49 per share. The following table sets forth the high and low bid prices for the Company's Common Shares for its four quarters in each of 2003 and 2002.

	2003		2002	
	High	Low	High	Low
Quarter Ended				
March 31	\$13.00	\$12.25	\$10.40	\$ 9.35
June 30	13.40	11.52	13.75	10.12
September 30	15.35	12.25	13.60	11.76
December 31	17.70	14.80	13.00	11.38

The Company's transfer agent and registrar is Computershare Investor Services, LLC, 2 North LaSalle Street, Chicago, IL 60602. Telephone 312-588-4991.

Shareholders

At February 27, 2004, there were 7.25 million common shares outstanding: 670 shareholders of record and approximately 2,500 shareholders for whom security firms acted as nominees.

Dividends

The Company has declared and paid 29 consecutive quarterly dividends since the end of 1996, its first year of trading. The Company paid \$0.065 per common share in 2002 and \$0.07 per common share in 2003. On December 15, 2003, the Company announced a dividend of \$0.075 per common share to be paid on January 22, 2004 to shareholders of record on January 2, 2004.

Item 6. Selected Financial Data

The following table sets forth selected consolidated financial data of the Company. The data for each of the five years in the period ended December 31, 2003 are derived from the consolidated financial statements of the Company. The data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and notes thereto included in Item 8.

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(in thousands, except for per share and ratios and other data)	For the years ended December 31				
	2003	2002	2001	2000	1999
Operating results					
Grain sales and revenues	\$ 704,574	\$ 583,947	\$475,953	\$488,204	\$ 507,024
Fertilizer, retail & other sales	542,390	492,580	504,408	470,301	494,780
Total sales & revenues	1,246,964	1,076,527	980,361	958,505	1,001,804
Gross profit – grain	41,783	47,348	52,029	46,789	41,586
Gross profit – fertilizer, retail & other	122,311	115,753	108,722	111,393	109,452
Total gross profit	164,094	163,101	160,751	158,182	151,038
Other income / gains (a)	5,048	3,741	3,841	7,069	4,195
Pretax income	17,965	16,002	11,931	14,364	11,959
Income before cumulative effect of change in accounting principle	11,701	10,764	9,042	10,078	8,379
Cumulative effect of change in accounting principle (net of tax)	—	3,480	(185)	—	—
Net income	11,701	14,244	8,857	10,078	8,379
Financial position					
Total assets	492,619	469,218	458,324	442,965	379,663
Working capital	89,532	81,755	75,228	55,260	67,939
Long-term debt (b)	82,127	84,272	91,316	80,159	74,127
Shareholders' equity	115,791	105,765	94,934	89,836	84,805
Cash flows / liquidity					
Cash flows from operations	44,093	23,249	(6,108)	(18,303)	11,679
Depreciation and amortization	15,139	14,314	14,264	13,119	11,282
Cash invested in acquisitions / investments in affiliates	1,182	—	—	16,311	—
Investments in property, plant & equipment	11,749	9,834	9,155	16,189	17,963
Net investment in (sale of) railcars (c)	3,788	(7,782)	6,414	12,424	214
EBITDA (e)	41,152	40,128	37,765	39,312	32,758
Per share data:					
Net income – basic	1.64	1.96	1.22	1.34	1.05
Net income – diluted	1.59	1.92	1.21	1.34	1.03
Dividends paid	0.28	0.26	0.26	0.24	0.20
Year-end market value	15.97	12.70	10.00	8.62	8.25
Ratios and other data					
Pretax return on beginning equity	17.0%	16.9%	13.3%	16.9%	14.5%
Net income return on beginning equity	11.1%	15.0%	9.9%	11.9%	10.1%
Funded long-term debt to equity ratio (d)	0.7-to-1	0.8-to-1	1.0-to-1	0.9-to-1	0.9-to-1
Weighted average shares outstanding (000's)	7,141	7,283	7,281	7,507	7,996
Effective tax rate	34.9%	32.7%	24.2%	29.8%	29.9%

Note: Prior years have been revised to conform to the 2003 presentation; these changes did not impact net income.

- (a) Includes gains of \$0.3 million in each of 2002 and 2001, and \$2.1 million in 2000 for insurance settlements received. Also in 2000, a \$1.0 million gain was recognized on the sale of a business.
- (b) Excludes current portion of long-term debt.
- (c) Represents the net of purchases of railcars offset by proceeds on sales of railcars. In 2002, proceeds exceeded purchases.
- (d) Calculated by dividing long-term debt by total year-end equity as stated under "Financial Position."

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- (e) Earnings before interest, taxes, depreciation and amortization, or EBITDA, is a non-GAAP measure. We believe that EBITDA provides additional information for investors and others in determining our ability to meet debt service obligations. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations as determined by generally accepted accounting principles, and EBITDA does not necessarily indicate whether cash flow will be sufficient to meet cash requirements. Because EBITDA, as determined by us, excludes some, but not all, items that affect net income, it may not be comparable to EBITDA or similarly titled measures used by other companies.

The following table sets forth (1) our calculation of EBITDA and (2) a reconciliation of EBITDA to our cash flow provided by operating activities.

(in thousands)	For the years ended December 31				
	2003	2002	2001	2000	1999
Income before cumulative effect of change in accounting principle	\$ 11,701	\$ 10,764	\$ 9,042	\$ 10,078	\$ 8,379
Add:					
Provision for income taxes	6,264	5,238	2,889	4,286	3,580
Interest expense	8,048	9,812	11,570	11,829	9,517
Depreciation and amortization	15,139	14,314	14,264	13,119	11,282
EBITDA	41,152	40,128	37,765	39,312	32,758
Add/(subtract):					
Provision for income taxes	(6,264)	(5,238)	(2,889)	(4,286)	(3,580)
Interest expense	(8,048)	(9,812)	(11,570)	(11,829)	(9,517)
Provision for losses on accounts and notes receivable	356	353	224	911	1,180
Gain on insurance settlements	—	(302)	(338)	(2,088)	—
Gain on sale of property, plant & equipment and business	(273)	(406)	(336)	(1,027)	(459)
Realized & unrealized gains (losses) on railcars & related leases	(2,146)	(179)	1,172	(110)	(1,573)
Changes in working capital & other assets & liabilities	19,316	(1,295)	(30,136)	(39,186)	(7,130)
Net cash provided by / (used in) operations	\$44,093	\$23,249	\$ (6,108)	\$ (18,303)	\$ 11,679

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

The following Management's Discussion and Analysis contains various "forward-looking statements" which reflect the Company's current views with respect to future events and financial performance. These forward-looking statements are subject to certain risks and uncertainties, including but not limited to those identified below, which could cause actual results to differ materially from historical results or those anticipated. The words "believe," "expect," "anticipate," "will" and similar expressions identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new

information, future events or otherwise. The following factors could cause actual results to differ materially from historical results or those anticipated: weather; supply and demand of commodities including grains, fertilizer and other basic raw materials; market prices for grains and the potential for increased margin requirements; environmental and governmental policies; competition; economic conditions; risks associated with acquisitions; interest rates; and income taxes.

Critical Accounting Policies and Estimates

The process of preparing financial statements requires management to make estimates and judgments that affect the carrying values of the Company's assets and liabilities as well as the recognition of revenues and expenses. These estimates and judgments are based on the Company's historical experience and management's knowledge and understanding of current facts and circumstances. Certain of the Company's accounting policies are considered critical, as these policies are important to the depiction of the Company's financial statements and/or require significant or complex judgment by management. Note 2 of the consolidated financial statements more fully describes all of our significant accounting policies, however, following are those accounting policies that management considers most critical to the Company's financial statements.

Grain Inventories The Company marks to market all grain inventory, forward purchase and sale contracts for grain, and exchange-traded futures and options contracts. The grain inventories are freely traded, have quoted market prices, and may be sold without significant additional processing. Management estimates market value based on exchange-quoted prices, adjusted for differences in local markets. Changes in market value are recorded as merchandising revenues in the statement of income. If management used different methods or factors to estimate market value, amounts reported as inventories and merchandising revenues could differ. Additionally, if market conditions change subsequent to year-end, amounts reported in future periods as inventories and merchandising revenues could differ.

Because the Company marks inventories and sales commitments to the market, gross profit on a grain sale transaction is recognized when a contract for sale of the grain is executed. The related revenue is recognized upon shipment of the grain, at which time title transfers and customer acceptance occurs.

Grain inventories contain valuation reserves established to recognize the difference in quality and value between contractual grades and actual quality grades of inventory held by the Company. These quality reserves also require management to exercise judgment.

Marketing Agreement The Company has negotiated a marketing agreement that covers certain of its grain facilities (certain of which are leased from Cargill). Under this five year amended and restated agreement (ending in May 2008), the Company sells grain from these facilities to Cargill at market prices. Income earned from operating the

facilities (including buying, storing and selling grain and providing grain marketing services to its producer customers) over a specified threshold is shared 50/50 with Cargill. Measurement of this threshold is made on a cumulative basis and cash is paid to Cargill (if required) at each contract year end. The Company recognizes its share of income to date at each month-end and accrues for any payment to Cargill in accordance with Emerging Issues Task Force Topic D-96, "Accounting for Management Fees Based on a Formula." The adoption of this standard, effective for periods beginning after January 1, 2002, resulted in a cumulative effect adjustment increase of \$3.5 million after tax in 2002.

Derivatives – Commodity Contracts The Company utilizes regulated commodity futures and options contracts to hedge its market price exposure on the grain it owns and related forward purchase and sale contracts. These contracts are included in the balance sheet in inventory at their current market value. Realized and unrealized gains and losses in the market value of these futures and option contracts are included in the income statement as a component of sales and merchandising revenues. While the Company considers all of its commodity contracts to be effective economic hedges, the Company does not designate its commodity futures and options contracts as hedges. Therefore, the Company does not defer gains and losses on these same contracts as would occur for designated hedges under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." Both the underlying inventory and forward purchase and sale contracts and the related futures and options contracts are marked to market on a daily basis.

Impairment of Long-Lived Assets The Company's various business segments are each highly capital intensive and require significant investment in facilities and / or rolling stock. In addition, the Company has a limited amount of intangible assets and goodwill (described more fully in Note 2 to the Company's consolidated financial statements in Item 8) that it acquired in various business combinations. Whenever changing conditions warrant, we review the fair value of the tangible and intangible assets that may be impacted. We also annually review the balance of goodwill for impairment in the fourth quarter. These reviews for impairment take into account estimates of future undiscounted cash flows. Our estimates of future cash flows are based upon a number of assumptions including lease rates, lease term, operating costs, life of the assets, potential disposition proceeds, budgets and long-range plans. While we believe the assumptions we use to estimate future cash flows are reasonable, there can be no assurance that the expected future cash flows will be realized. If management used different estimates and assumptions in its evaluation of these cash flows, the Company could recognize different amounts of expense in future periods.

Employee Benefit Plans The Company provides substantially all full-time employees with pension benefits and postretirement health care benefits. In order to measure the expense and funded status of these employee benefit plans, management makes several estimates and assumptions, including interest rates used to discount certain liabilities,

rates of return on assets set aside to fund these plans, rates of compensation increases, employee turnover rates, anticipated mortality rates and anticipated future healthcare cost trends. These estimates and assumptions are based on the Company's historical experience combined with management's knowledge and understanding of current facts and circumstances. The Company uses third-party specialists to assist management in measuring the expense and funded status of these employee benefit plans. If management used different estimates and assumptions regarding these plans, the funded status of the plans could vary significantly and then the Company could recognize different amounts of expense over future periods.

Certain accounting guidance, including the guidance applicable to pensions and postretirement benefits does not require immediate recognition of the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted. Although this netting occurs outside the basic financial statements, the net amount is disclosed as an unrecognized gain or loss in Note 11 to the Company's consolidated financial statements in Item 8. At December 31, 2003, we had an unrecognized loss related to our pension plans of \$14.6 million compared to an unrecognized loss of \$14.7 million at December 31, 2002. For the postretirement benefit plans, our December 31, 2003 unrecognized loss was \$16.8 million as compared to an unrecognized loss of \$16.1 million at December 31, 2002. A portion of the December 31, 2003 unrecognized loss for both pension and postretirement benefits will be amortized into earnings in 2004. The effect on years after 2004 will depend in large part on the actual experience of the plans in 2004 and beyond. In 2003, benefits expense included \$1.0 million of amortization and \$0.9 million of the unrecognized loss existing at December 31, 2002 for the pension and postretirement plans, respectively.

Revenue Recognition The Company recognizes revenue for the sales of its products at the time of shipment. Gross profit on sales of grain is recognized when sales contracts are entered into as the Company marks its contracts to the market on a daily basis. Revenues from other merchandising activities are recognized as open grain contracts are marked-to-market or as related services are provided. Rental revenues on operating leases are recognized on a straight-line basis over the term of the lease. Sales returns and allowances, if required, are provided for at the time sales are recorded. Shipping and handling costs are included in cost of sales.

The Company sells railcars to financial intermediaries and other customers. Proceeds from railcar sales, including railcars sold in non-recourse transactions, are recognized as revenue at the time of sale if there is no leaseback or the operating lease is assigned to the buyer, non-recourse to the Company. Revenue on operating leases (where the Company is the lessor) and on servicing and maintenance contracts in non-recourse transactions is recognized over the term of the lease or service contract.

Leasing activities The Company accounts for its leasing activity in accordance with FASB Statement No. 13, as amended, and related pronouncements. The Company's Rail segment leases and manages railcars for third parties and leases railcars for internal use. Most leases to Rail segment customers are structured as operating leases. Railcars leased by the Company to its customers are either owned by the Company, leased from financial intermediaries under operating leases or leased from financial intermediaries under capital leases. The leases from financial intermediaries are generally structured as sale-leaseback transactions. Lease income and lease expense are recognized on a straight-line basis over the term of the lease.

The Company has financed some of its railcars through a capital lease with a financial intermediary. The terms of this lease required the Company to capitalize the assets and record the net present value of the lease obligation on its balance sheet as a long-term borrowing. There was no gain or loss on this financing transaction. This obligation is included with the Company's long-term debt as described in Note 7 to the consolidated annual financial statements. The railcars under this lease are being depreciated to their residual value over the term of the lease.

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services when earned. On the date of sale, the Company recognizes the proceeds from sales of railcars in non-recourse lease transactions as revenue. Management and service fees are recognized as revenue as the underlying services are provided, which is generally spread evenly over the lease term.

Taxes Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax rate and in evaluating our tax positions. We establish reserves when, despite our belief that our tax return positions are fully supportable, we believe that certain positions are likely to be challenged and that we may not succeed. We adjust these reserves in light of changing facts and circumstances, such as the progress of a tax audit. An estimated effective tax rate for a year is applied to our quarterly operating results. In the event there is a significant or unusual item recognized in our quarterly operating results, the tax attributable to that item is separately calculated and recorded at the same time as that item.

Operating Results

The following discussion focuses on the operating results as shown in the consolidated statements of income. Following are tables (in thousands) highlighting sales and merchandising revenues, gross profit and operating income by segment. Additional segment information is included in Note 13 to the Company's consolidated financial statements in Item 8.

Sales and merchandising revenues	2003	2002	2001
Agriculture	\$ 899,174	\$ 762,268	\$658,524
Rail	35,200	18,747	31,061
Processing	134,017	114,315	112,827
Retail	178,573	181,197	177,949
Total	\$1,246,964	\$1,076,527	\$980,361
Gross profit	2003	2002	2001
Agriculture	\$ 76,706	\$ 80,632	\$ 85,392
Rail	13,626	8,718	7,267
Processing	23,367	22,876	20,337
Retail	50,395	50,875	47,755
Total	\$164,094	\$163,101	\$160,751
Operating income (loss)	2003	2002	2001
Agriculture	\$13,868	\$15,154	\$19,765
Rail	4,062	1,563	(349)
Processing	1,022	(1,322)	(7,654)
Retail	3,413	4,003	1,868
Other	(4,400)	(3,396)	(1,699)
Total	\$17,965	\$16,002	\$11,931

Comparison of 2003 with 2002

Sales and merchandising revenues for 2003 totaled \$1.2 billion, an increase of \$170.4 million, or 16%, from 2002. Sales in the Agriculture Group were up \$143.1 million, or 20%. Increased grain sales of \$126.9 million included both a 4% volume increase and an 18% increase in the average price of bushels sold. All grains, except oats, showed price per bushel increases and bushel volume was up for all grains except wheat. In both 2003 and 2002, grain expected to ship in the following calendar year was shipped in the fourth quarter. This occurred because of increased demand and / or market prices favoring sales rather than storage of grain. Fertilizer sales were up \$16.2 million, or 9%, due to a 9% increase in the average price per ton sold on a less than one percent increase in volume. A portion of the price increase relates to increases in natural gas prices, a basic raw material in the manufacture of nitrogen and urea which are key products used by the Plant Nutrient division. Generally, this increase can be passed through to customers although a

price increase may also reduce consumer demand at the producer level. Revenues in both grain and fertilizer businesses are significantly impacted by the market price of the commodities being sold.

Merchandising revenues in the Agriculture Group were down \$6.2 million, or 21%, due to decreases in space income (before interest charges) in the Grain division. Space income is income earned on grain held for our account or for our customers and includes storage fees earned and appreciation or depreciation in the value of grain owned. Grain on hand at December 31, 2003 was 56.1 million bushels, of which 17.3 million bushels were stored for others. Total grain bushels on hand throughout 2003 averaged approximately 46.0 million bushels due to the reduced harvest in 2002. This compares to 56.3 million bushels on hand at December 31, 2002, of which 13.4 million bushels were stored for others.

The results of the 2003 harvest were strong in the Company's market area. Due to the strong demand, however, bushels shipped nearly matched the bushels received and resulted in no net increase in bushels. Because of this, the Company anticipates another period of low space income in the first six months of 2004. Wheat acres planted in 2003 for harvest in 2004 are down slightly from last year due to the wet and delayed 2003 harvest. Corn acres are expected to increase in 2004 due to the current higher corn prices. This increase will come at the expense of bean acres. The higher grain prices may favorably impact the fertilizer demand for the same period. However, poor weather during the spring planting season may unfavorably impact the amount of corn and soybean acreage planted during that time.

The Rail Group had a \$16.5 million, or 88% increase in sales. Sales of railcars and related leases made up \$15.4 million of this increase and the remainder of the increase resulted from a \$0.9 million increase in revenue generated by the leased fleet and a \$0.2 million increase from increased activity in the repair and fabrication shops. There were no significant sales of railcars in 2002. Railcars under management at December 31, 2003 were 6,291 compared to 5,699 under management at December 31, 2002. Locomotives under management were 74 at December 31, 2003 and 51 at December 31, 2002. The railcar utilization (railcars in lease service) rate increased from 85% at December 31, 2002 to 92% at the end of December 2003.

The Processing Group had a \$19.7 million, or 17%, increase in sales and merchandising revenues resulting primarily from an overall 13% increase in volume plus a 6% increase in the average price per ton sold. In the professional lawn business, serving the golf course and lawn care operator markets, volume was up 15% and sales up 16%, primarily due to increased market share. In the consumer and industrial lawn businesses, where we serve as contract manufacturer for several large "brand" companies, a manufacturer of private label products and also manufacture our own brands, volume was up 13% and sales up 22%. A portion of this increase relates to a new line of products that we began manufacturing for a major marketer in late 2002. The cob business, a much smaller

component of the Processing Group, had a 7% increase in sales primarily due to a 6% increase in volume.

The Retail Group had a 1.4% decrease in same-store sales and revenues in 2003 as compared to 2002. Individual store results were mixed, however, the Columbus markets showed increases for the third straight year. As expected, sales in the Toledo market were down due to significant new competition as well as disruption in one of the three Toledo-area stores created when the store was completely redesigned. Four of the six stores now have a fresh meat counter. This business is managed by a third party and the Company earns commissions on sales of fresh meat; these commissions have been included in merchandising revenues. Expectations for 2004 remain cautiously optimistic given increases seen in January business, however, this business continues to be faced with competition from new stores built and planned for in its primary markets by competitors of significant size.

Gross profit for 2003 totaled \$164.1 million, an increase of \$1.0 million, or less than 1%, from 2002. The Agriculture Group had a \$3.9 million, or 5%, decrease in gross profit, in spite of the significant increase in revenues mentioned previously. Gross profit in the Grain division totaled \$41.8 million, a decrease of \$5.5 million, or 12%, resulting primarily from the \$6.2 million decrease in merchandising revenues mentioned previously, partially offset by a \$0.7 million increase in gross profit on grain sales. The Plant Nutrient division recognized an increase in gross profit of \$1.6 million, primarily due to the 3% increase in volume and a 3% increase in gross profit per ton.

Gross profit in the Rail Group increased \$4.9 million, or 56%. A portion of this increase, \$2.1 million, was gross profit related to the sale of cars and lease receivables. The railcar and fabrication shops had increased gross profit of \$2.9 million related to the manufacture and / or installation of railcar components. The lease fleet income was down \$0.1 million in spite of the increased fleet size and utilization percentage. Railcars that are coming off long-term leases are renewing at market rates which may be lower than the previous lease rates. The multi-year low lease rate environment has continued in the rail industry, although certain car types have seen improvements in 2003. In 2002, the Company recorded an impairment charge of \$0.3 million on railcars assets leased to others. There was no impairment charge in 2003.

Gross profit for the Processing Group in 2003 increased \$0.5 million, or 2%, when compared to 2002. In spite of a 13% increase in volume, increased costs reduced the gross profit per ton by 9%. The consumer and industrial lawn businesses had increased gross profit, but the professional lawn business and cob business both realized decreases. A portion of this increased cost represents the increasing cost of nitrogen and other raw materials that aren't easily passed on to customers during an annual program.

Gross profit in the Retail Group decreased \$0.5 million, or 1%, from 2002. This was due to the decrease in sales discussed previously, partially offset by a modest increase in margins, as a result of changes in the mix of products sold.

The Company recorded a gain of \$0.3 million in 2002 related to an insurance recovery.

Operating, administrative and general expenses for 2003 totaled \$143.1 million, a \$2.1 million increase from 2002. Full-time employees were approximately equal to 2002, however, labor expense increased \$1.0 million, or 1%. Benefit costs rose 3% due to the increased cost of providing pension and health care benefits to current and former employees. Other significant increases were realized in utilities, reflecting the high cost of natural gas and the need to dry a wet 2003 corn crop and professional and contract services, reflecting additional expense relating to external legal fees, accounting and audit services and corporate governance expenses. Some of the professional and contract services increase was related to acquisition activity. With the recently announced 2004 growth in our Agriculture and Rail Groups, we expect incremental increases in the cost to manage these additional assets.

Interest expense for 2003 was \$8.0 million, a \$1.8 million, or 18%, decrease from 2002. Average daily short-term borrowings for 2003 were up 1% when compared to 2002 while the average short-term interest rate decreased from 3.2% for 2002 to 2.1% for 2003. Long-term interest expense decreased 11% for the same period.

As a result of the above, pretax income of \$18.0 million for 2003 was 12% higher than the pretax income of \$16.0 million in 2002. Income tax expense of \$6.3 million was recorded in 2003 at an effective rate of 34.9%. In 2002, income tax expense of \$5.2 million was recorded at an effective rate of 32.7%. The increase in effective tax rates between 2002 and 2003 resulted primarily from an increase in state income taxes. In future years, we anticipate potential increases in state effective tax rates resulting from state tax reform initiatives.

In fiscal 2003, the World Trade Organization determined that the Extraterritorial Income Regime, or ETI, as provided for in the U.S. Internal Revenue Code, is an illegal export subsidy. Accordingly, the Company anticipates that the United States will repeal the ETI during fiscal 2004. Various proposals before the U.S. Congress may replace the ETI, but even if adopted, would likely not result in the same level of income tax benefit to the Company as the ETI. Therefore, it is possible that the Company's tax rate will increase in fiscal 2004 and beyond, pending the outcome of these potential changes in the law. The ETI benefit reduced the Company's 2003 tax rate by 4.2 percentage points. The Company is presently unable to determine the effect of the potential tax law changes and there can be no assurance that such changes will not adversely affect its results of operations in future years.

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In 2002, the Company recorded a cumulative effect adjustment upon the adoption of EITF Topic D-96 (\$3.5 million after tax). This cumulative effect adjustment reversed the December 31, 2001 balance of \$5.4 million of deferred income that, under EITF Topic D-96, the Company earned as of January 1, 2002.

The 2003 net income of \$11.7 million was \$2.5 million lower than the 2002 net income of \$14.2 million. Basic earnings per share of \$1.64 decreased \$0.32 from 2002 and diluted earnings per share of \$1.59 decreased \$0.33 from 2002.

Comparison of 2002 with 2001

Sales and merchandising revenues for 2002 totaled \$1.08 billion, an increase of \$96.2 million, or 10%, from 2001. Sales in the Agriculture Group were up \$114.7 million, or 19%. Increased grain sales of \$119.4 million included both a 9% volume increase and a 16% increase in the average price of bushels sold. All grains showed price per bushel increases and bushel volume was up for corn and wheat. Fertilizer sales were down \$4.6 million, or 3%, due to a 9% decrease in the average price per ton sold, partially offset by a 7% increase in tons sold. Revenues in both grain and fertilizer businesses are significantly impacted by the market price of the commodities being sold.

Merchandising revenues in the Agriculture Group were down \$11.0 million, or 23%, due to decreases in space income (before interest charges) in the Grain division. Space income is income earned on grain held for our account or for our customers and includes storage fees earned and appreciation or depreciation in the value of grain owned. Grain on hand at December 31, 2002 was 56.3 million bushels, of which 13.4 million bushels were stored for others. This compares to 65.4 million bushels on hand at December 31, 2001, of which 10.4 million bushels were stored for others.

The Rail Group had a \$12.3 million, or 40%, decrease in sales. While lease revenue was up \$1.8 million, or 14%, in 2002, sales of railcars were down \$15.2 million. Sales in the fabrication and rail repair shops were up \$1.1 million. Railcars under management at December 31, 2002 were 5,699 compared to 5,432 under management at December 31, 2001. Locomotives under management were 51 for both 2001 and 2002. The railcar utilization (railcars in lease service) rate increased from 75% at December 31, 2001 to 85% at the end of December 2002.

The Processing Group had a \$1.5 million, or 1%, increase in sales and merchandising revenues resulting primarily from an overall 3% increase in lawn division tons sold, partially offset by a 3% decrease in the average price per lawn division ton sold. The industrial lawn business (where the Group is responsible only for the contract manufacturing of product and does no marketing) continues to grow in relative size, due, in part, to the movement of a large consumer customer to an industrial relationship. The Company receives less margin for industrial tons, as compared to consumer tons, because it is acting primarily as a contract manufacturer and not incurring certain sales and

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marketing costs. Further, the Company is no longer required to accept returns from the customer. The reduction of returns and elimination of marketing costs contributed to the sales increase. Sales and merchandising revenues were positively impacted by these reversals in 2002 by \$1.4 million. The professional lawn business continues to be impacted by general softness in the golf course market and a reduction in the number of rounds played.

The Retail Group had a 1.8% increase in same-store sales and revenues in 2002 as compared to 2001. Individual store results were mixed, however both the Toledo and Columbus markets showed increases. In addition, three of the six stores have added a fresh meat counter since the third quarter of 2001. This business is managed by a third party and the Company earns commissions on sales of fresh meat; these commissions have been included in merchandising revenues.

Gross profit for 2002 totaled \$163.1 million, an increase of \$2.3 million, or 1%, from 2001. The Agriculture Group had a \$4.8 million, or 6%, decrease in gross profit, in spite of the significant increase in revenues mentioned previously. Gross profit in the Grain division totaled \$47.3 million, a decrease of \$4.7 million, or 9%. The fertilizer businesses of the Agriculture Group recognized a decrease in gross profit of \$0.1 million, primarily due to a decrease in gross profit per ton, nearly offset by increased volume of fertilizer sold.

Gross profit in the Rail Group increased \$1.5 million, or 20%. Of this increase, \$0.4 million was due to the improved performance of the lease fleet primarily related to the increase in railcars in service. In addition, the Group took a \$0.3 million non-cash charge to recognize a permanent impairment in the value of certain railcars in 2002; the Group took a comparable charge of \$1.5 million in 2001.

Gross profit for the Processing Group in 2002 increased \$2.5 million, or 12%, when compared to 2001. Overall gross profit per ton for the Processing Group was up 11%. Although there was a 3% decrease in average price per lawn ton sold, there was also a 5% decrease in the average cost of a lawn ton. Coupled with the volume increase in the Lawn division and the gross profit impact of the reduction in returns and marketing costs mentioned previously, lawn division gross profit was up \$2.8 million, or 16%. The cob-based businesses experienced a decrease of \$0.3 million, or 8%, in gross profit, resulting in the overall \$2.5 million increase for the Group.

Gross profit in the Retail Group increased \$3.0 million, or 6%, from 2001. This was due to both the increase in sales discussed previously and a percentage point increase in margins. This margin increase results primarily from changes in product mix and better management of promotional programs and markdowns.

The Company recorded gains of \$0.3 million in each of 2002 and 2001 related to insurance recoveries.

Operating, administrative and general expenses for 2002 totaled \$141.0 million, a \$0.1 million decrease from 2001. Full-time employees increased 2% from 2001, however, labor expense decreased \$1.0 million, or 1%. The majority of the decrease relates to severance costs of \$1.3 million in 2001 compared to \$0.4 million in 2002. Benefit costs, however, rose 11% due to the increased cost of providing pension and health care benefits to current and former employees. In addition, the Company's performance incentive expense increased \$1.3 million, which reflects the improved 2002 results when compared to 2001. Significant expense reductions were realized in rent, advertising and professional services. In addition to the benefit and performance incentive expense increases mentioned previously, increases were also realized in insurance expense and maintenance expense.

Interest expense for 2002 was \$9.8 million, a \$1.8 million, or 15%, decrease from 2001. Average daily short-term borrowings for 2002 were up 2% when compared to 2001 while the average short-term interest rate decreased from 5.1% for 2001 to 3.2% for 2002. Long-term interest expense decreased slightly for the same period.

As a result of the above, pretax income of \$16.0 million for 2002 was 34% higher than the pretax income of \$11.9 million in 2001. Income tax expense of \$5.2 million was recorded in 2002 at an effective rate of 32.7%. In 2001, income tax expense of \$2.9 million was recorded at an effective rate of 24.2%. The significant change in the effective tax rates between 2001 and 2002 resulted primarily from a much higher benefit from our foreign sales corporation in 2001 relative to the pretax income.

The Company also recorded a cumulative effect adjustment upon the adoption of EITF Topic D-96 (\$3.5 million after tax). This cumulative effect adjustment reversed the December 31, 2001 balance of \$5.4 million of deferred income that, under EITF Topic D-96, the Company earned as of January 1, 2002. As a result of the above, the 2002 net income of \$14.2 million was \$5.3 million better than the 2001 net income of \$8.9 million. Basic earnings per share increased \$0.74 from 2001 and diluted earnings per share increased \$0.71 from 2001.

Liquidity and Capital Resources

The Company's operations provided cash of \$44.1 million in 2003, an increase of \$20.8 million from 2002. Net working capital at December 31, 2003 was \$89.5 million, an increase of \$7.8 million from December 31, 2002.

The Company has significant short-term lines of credit available to finance working capital, primarily inventories and accounts receivable. In November 2002, the Company entered into a borrowing arrangement with a syndicate of banks which provides the Company with \$150 million in short-term lines of credit and an additional \$50 million in a three-year line of credit. Prior to the syndication agreement, the Company managed several separate short-term lines of credit. The Company had drawn \$48.0 million on its short-term line of credit at December 31, 2003. Peak short-term borrowing during 2003

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was \$127.2 million on February 27, 2003. In most years, the Company's highest borrowing occurs in the spring due to seasonal inventory requirements in the fertilizer and retail businesses, credit sales of fertilizer and a customary reduction in grain payables due to the cash needs and market strategies of grain customers. Currently, the Company is reviewing its projected cash borrowing needs and may expand its short-term lines of credit.

The Company utilizes interest rate contracts to manage a portion of its interest rate risk on both its short and long-term debt and lease commitments. At December 31, 2003, the fair value of these derivative financial instruments recorded in the balance sheet (primarily interest rate swaps and interest rate caps) was a net asset of less than \$0.1 million.

Quarterly cash dividends of \$0.07 and \$0.065 per common share were paid in 2003 and 2002, respectively. A cash dividend of \$0.075 per common share was paid on January 22, 2004. The Company made income tax payments of \$5.2 million in 2003. During 2003, the Company issued approximately 129 thousand shares to employees and directors under its share compensation plans.

Total capital spending for 2003 on property, plant and equipment was \$11.7 million and included \$2.8 million for investments in facilities and expansion in the Agriculture Group, \$0.3 million in manufacturing improvements in the Rail Group, \$0.4 million in administrative offices and buildings and \$0.3 million for retail store improvements and additions. The remaining amount of \$7.9 million was spent on numerous assets and projects with no single project costing more than \$0.3 million. The Company also spent \$20.5 million in 2003 for the purchase of railcars and capitalized modifications on railcars that may then be sold, financed off-balance sheet or owned by the Company for lease to customers. The Company sold or financed \$16.7 million of railcars during 2003.

In January 2003, the Company invested \$1.2 million in Lansing Grain Company, LLC for a 15.1% interest. Lansing Grain Company LLC ("LGC") was formed in late 2002 and includes the majority of the assets of the Lansing Grain Company. The Company also holds an option to increase its investment in each of the next five years with the potential of attaining majority ownership in 2008. In February 2004, the Company acquired an additional 7% of the equity of LGC for a total ownership of 22.1%.

In February 2004, the Company formed a number of special purpose entities under TOP CAT Holding Company, also a special purpose entity, with the Company as its sole equity investor to finance the purchase of railroad rolling stock and leasing assets from Rail Car Ltd. and Progress Rail, both of which are part of Progress Energy, Inc. The purchase price of \$82.4 million includes approximately 6,700 railcars, 48 locomotives and contracts to manage an additional 2,600 railcars for third-party investors. Financing for the acquisition was provided by \$86.4 million in non-recourse notes.

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Certain of the Company's long-term borrowings include provisions that impose minimum levels of working capital and equity, impose limitations on additional debt and require that grain inventory positions be substantially hedged. The Company was in compliance with all of these provisions at December 31, 2003. In addition, certain of the Company's long-term borrowings are secured by first mortgages on various facilities or are collateralized by railcar assets.

Because the Company is a significant consumer of short-term debt in peak seasons and the majority of this is variable rate debt, increases in interest rates could have a significant impact on the profitability of the Company. In addition, periods of high grain prices and / or unfavorable market conditions could require the Company to make additional margin deposits on its CBOT futures contracts. The marketability of the Company's grain inventories and the availability of short-term lines of credit enhance the Company's liquidity. In the opinion of management, the Company's liquidity is adequate to meet short-term and long-term needs.

Contractual Obligations

Future payments due under contractual obligations at December 31, 2003 are as follows:

Contractual Obligations (in thousands)	Payments Due by Period				Total
	Less than 1 year	1-3 years	3-5 years	After 5 years	
Long-term debt	\$ 5,113	\$18,444	\$24,579	\$35,880	\$ 84,016
Capital lease obligations	339	3,224	—	—	3,563
Operating leases	9,056	11,245	6,628	11,288	38,217
Purchase commitments (a)	149,275	14,692	85	—	164,052
Expected pension plan funding (b)	2,721	—	—	—	2,721
Other contractual obligations	200	400	200	—	800
Total contractual cash obligations	\$166,704	\$48,005	\$31,492	\$47,168	\$293,369

- (a) Includes the value of purchase obligations in the Company's operating units, including \$131 million for the purchase of grain from producers. There are also forward grain sales contracts to consumers and traders and the net of these forward contracts are offset by exchange-traded futures and options contracts. See narrative description of business for the Agriculture Group for further discussion.
- (b) The 2004 funding represents the minimum funding obligation as calculated by the Company's actuaries. Although the Company has funded the plan at the maximum tax-deductible level in the most recent years, the Company has not yet determined whether it will do so in 2004. The maximum tax-deductible contribution for 2004 is

estimated at \$3.4 million. Future years can be assumed to approximate this same range of funding.

Included in long-term debt are acquisition liabilities that include minimum royalty payments. There are additional contingent sales-based royalty payments that have not triggered to date and which are not expected to be material to the Company if they trigger in the future. The royalty period ends May 2005.

The Company had standby letters of credit outstanding of \$9.1 million at December 31, 2003 of which \$8.1 million are credit enhancements for industrial revenue bonds included in the contractual obligations table above.

Approximately 63% of the operating lease commitments above relate to 1,980 railcars that the Company leases from financial intermediaries. See the following section on Off-Balance Sheet Transactions.

The Company is subject to various loan covenants as highlighted previously. Although the Company is and has been in compliance with its covenants, noncompliance could result in default and acceleration of long-term debt payments. The Company does not anticipate noncompliance with its covenants.

Off-Balance Sheet Transactions

The Company's Rail Group utilizes leasing arrangements that provide off-balance sheet financing for its activities. The Company leases railcars from financial intermediaries under operating leases through sale-leaseback transactions, the majority of which involve operating leasebacks. Railcars owned by the Company, or leased by the Company from a financial intermediary, are generally leased to a customer under an operating lease. The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to a financial intermediary, and assigns the related operating lease to the financial intermediary on a non-recourse basis. In such arrangements, the Company generally provides ongoing railcar maintenance and management services for the financial intermediary, and receives a fee for such services. On most of the railcars and locomotives, the Company holds an option to purchase these assets at the end of the lease.

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The following table describes the railcar and locomotive positions at December 31, 2003.

Method of Control	Financial Statement	Number
Owned-railcars available for sale	On balance sheet – current	232
Owned-railcar assets leased to others	On balance sheet – non-current	2,436
Railcars leased from financial institutions	Off balance sheet	1,980
Railcars – non-recourse arrangements	Off balance sheet	1,569
Total Railcars		6,217
Locomotives – leased from financial intermediaries under limited recourse arrangements	Off balance sheet	30
Locomotives – non-recourse arrangements	Off balance sheet	44
Total Locomotives		74

Additionally, the Company manages 1,264 railcars for a third party customer for which it receives a fee.

The Company has future lease payment commitments aggregating \$24.1 million for the railcars leased by the Company from financial intermediaries under various operating leases. Remaining lease terms vary with none exceeding 10 years. The majority of these railcars have been leased to customers at December 31, 2003 over similar terms. See Note 10 to the Company's consolidated financial statements in Item 8 for more detail about future lease income. The segment manages risk by matching lease commitments with funding (which means matching terms between the lease to the customer and the funding arrangement with the financial intermediary) where possible and ongoing evaluation of lessee credit worthiness. In addition, the Company prefers non-recourse lease transactions, whenever possible, in order to minimize its credit risk.

As noted previously, the Company's acquisition of railroad rolling stock and leasing assets in February 2004 added approximately 6,700 railcars, 48 locomotives and contracts to manage another 2,600 railcars to the above balances. Nearly all of the purchased assets are owned outright by subsidiaries of TOP CAT Holding Company LLC, a wholly-owned subsidiary of The Andersons, Inc., and will appear on the Company's consolidated balance sheet. The majority of the assets are included in a debt securitization whereby financing of \$86.4 million was raised to fund the purchase. This financing is non-recourse to the Company and looks only to the securitized assets for collateral.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

The market risk inherent in the Company's market risk-sensitive instruments and positions is the potential loss arising from adverse changes in commodity prices and interest rates as discussed below.

Commodity Prices

The availability and price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, plantings, government (domestic and foreign) farm programs and policies, changes in global demand created by population growth and higher standards of living, and global production of similar and competitive crops. To reduce price risk caused by market fluctuations, the Company follows a policy of hedging its inventories and related purchase and sale contracts. The instruments used are exchange-traded futures and options contracts that function as hedges. The market value of exchange-traded futures and options used for hedging has a high, but not perfect correlation, to the underlying market value of grain inventories and related purchase and sale contracts. The less correlated portion of inventory and purchase and sale contract market value (known as basis) is much less volatile than the overall market value of exchange-traded futures and tends to follow historical patterns. The Company manages this less volatile risk using its daily grain position report to constantly monitor its position relative to the price changes in the market. The Company's accounting policy for its futures and options hedges, as well as the underlying inventory positions and purchase and sale contracts, is to mark them to the market price daily and include gains and losses in the statement of income in sales and merchandising revenues.

A sensitivity analysis has been prepared to estimate the Company's exposure to market risk of its commodity position (exclusive of basis risk). The Company's daily net commodity position consists of inventories, related purchase and sale contracts and exchange-traded contracts. The fair value of the position is a summation of the fair values calculated for each commodity by valuing each net position at quoted futures market prices. Market risk is estimated as the potential loss in fair value resulting from a hypothetical 10% adverse change in such prices. The result of this analysis, which may differ from actual results, is as follows:

(in thousands)	December 31	
	2003	2002
Net (short) long position	\$675	(\$2,302)
Market risk	68	230

Interest Rates

The fair value of the Company's long-term debt is estimated using quoted market prices or discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. In addition, the Company has derivative interest rate contracts recorded in its balance sheet at their fair value. The fair value of these contracts is estimated based on quoted market termination values. Market risk, which is estimated as the potential increase in fair value resulting from a hypothetical one-half percent decrease in interest rates, is summarized below:

(in thousands)	December 31	
	2003	2002
Fair value of long-term debt and interest rate contracts	\$88,711	\$96,358
Fair value in excess of carrying value	1,207	2,236
Market risk	1,005	1,893

Item 8. Financial Statements and Supplementary Data

The Andersons, Inc.
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Report of Independent Auditors

To the Board of Directors and Shareholders of The Andersons, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of The Andersons, Inc. and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, during 2002, the Company adopted EITF Topic D-96, "Accounting for Management Fees Based on a Formula."

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Toledo, Ohio
March 8, 2004

The Andersons, Inc.
Consolidated Statements of Income

(in thousands, except per common share data)	Year ended December 31		
	2003	2002	2001
Sales and merchandising revenues	\$1,246,964	\$1,076,527	\$980,361
Cost of sales and merchandising revenues	1,082,870	913,426	819,610
Gross profit	164,094	163,101	160,751
Operating, administrative and general expenses	143,129	141,028	141,091
Interest expense	8,048	9,812	11,570
Other income / gains:			
Other income (net)	5,048	3,439	3,503
Gain on insurance settlements	—	302	338
Income before income taxes and cumulative effect of accounting change	17,965	16,002	11,931
Income tax provision	6,264	5,238	2,889
Income before cumulative effect of accounting change	11,701	10,764	9,042
Cumulative effect of change in accounting principle, net of income tax effect	—	3,480	(185)
Net income	\$ 11,701	\$ 14,244	\$ 8,857
Per common share:			
Basic earnings per share:			
Income before cumulative effect of accounting change	\$ 1.64	\$ 1.48	\$ 1.24
Cumulative effect of change in accounting principle, net of income tax effect	—	0.48	(0.02)
Net income	\$ 1.64	\$ 1.96	\$ 1.22
Diluted earnings per share:			
Income before cumulative effect of accounting change	\$ 1.59	\$ 1.45	\$ 1.24
Cumulative effect of change in accounting principle, net of income tax effect	—	0.47	(0.03)
Diluted earnings	\$ 1.59	\$ 1.92	\$ 1.21
Dividends paid	\$ 0.28	\$ 0.26	\$ 0.26

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Balance Sheets

(in thousands)	December 31	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,444	\$ 6,095
Accounts and notes receivable:		
Trade receivables, less allowance for doubtful accounts of \$2,274 in 2003; \$3,014 in 2002	67,375	59,800
Margin deposits	1,171	—
	<u>68,546</u>	<u>59,800</u>
Inventories	259,755	256,275
Railcars available for sale	1,448	550
Deferred income taxes	3,563	2,894
Prepaid expenses and other current assets	17,223	11,675
Total current assets	<u>356,979</u>	<u>337,289</u>
Other assets:		
Pension asset	6,434	5,828
Other assets and notes receivable, less allowance for doubtful notes receivable of \$259 in 2003; \$222 in 2002	4,806	5,794
Investments in and advances to affiliates	2,462	969
	<u>13,702</u>	<u>12,591</u>
Railcar assets leased to others, net	29,489	26,399
Property, plant and equipment, net	92,449	92,939
	<u>\$492,619</u>	<u>\$469,218</u>
Liabilities and Shareholders' equity		
Current liabilities:		
Notes payable	\$ 48,000	\$ 70,000
Accounts payable for grain	88,314	75,422
Other accounts payable	72,291	60,285
Customer prepayments and deferred revenue	34,366	20,448
Accrued expenses	19,024	19,604
Current maturities of long-term debt	5,452	9,775
Total current liabilities	<u>267,447</u>	<u>255,534</u>
Deferred income and other long-term liabilities	1,359	1,098
Employee benefit plan obligations	14,493	12,198
Long-term debt, less current maturities	82,127	84,272
Deferred income taxes	11,402	10,351
Total liabilities	<u>376,828</u>	<u>363,453</u>
Shareholders' equity:		
Common shares, without par value		
Authorized – 25,000 shares		
Issued – 8,430 shares at stated value of \$0.01 per share	84	84
Additional paid-in capital	67,179	66,662
Treasury shares, at cost (1,229 in 2003; 1,258 in 2002)	(13,118)	(12,558)
Accumulated other comprehensive loss	(355)	(815)
Unearned compensation	(120)	(73)
Retained earnings	62,121	52,465
	<u>115,791</u>	<u>105,765</u>
	<u>\$492,619</u>	<u>\$469,218</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Cash Flows

(in thousands)	Year ended December 31		
	2003	2002	2001
Operating activities			
Net income	\$ 11,701	\$ 14,244	\$ 8,857
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	15,139	14,314	14,264
Provision for losses on accounts and notes receivable	356	353	224
Cumulative effect of accounting change, net of income tax effect	—	(3,480)	185
Gain on insurance settlements	—	(302)	(338)
Gain on sale of property, plant and equipment	(273)	(406)	(336)
Realized and unrealized (gains) losses on railcars and related leases	(2,146)	(179)	1,172
Deferred income tax provision (benefit)	382	1,432	(539)
Other	446	91	368
Cash provided by operations before changes in operating assets and liabilities	25,605	26,067	23,857
Changes in operating assets and liabilities:			
Accounts and notes receivable	(9,170)	(5,249)	2,080
Inventories	(3,480)	(17,984)	(26,428)
Prepaid expenses and other assets	(6,619)	(474)	(117)
Accounts payable for grain	12,893	8,454	(500)
Other accounts payable and accrued expenses	24,864	12,435	(5,000)
Net cash provided by (used in) operating activities	44,093	23,249	(6,108)
Investing activities			
Purchases of property, plant and equipment	(11,749)	(9,834)	(9,155)
Purchases of railcars	(20,498)	(8,203)	(21,790)
Proceeds from sale or financing of railcars and related leases	16,710	15,985	15,376
Investment in affiliate	(1,182)	—	—
Proceeds from sale of property, plant and equipment	607	598	951
Proceeds from insurance settlements	—	302	338
Net cash used in investing activities	(16,112)	(1,152)	(14,280)
Financing activities			
Net increase (decrease) in short-term borrowings	(22,000)	(12,600)	11,300
Proceeds from issuance of long-term debt	2,916	22,333	23,250
Payments of long-term debt	(9,385)	(29,976)	(10,845)
Change in overdrafts	3,126	2,866	(7,796)
Payment of debt issue costs	—	(634)	—
Proceeds from sale of treasury shares under stock compensation plans	964	840	332
Dividends paid	(2,009)	(1,903)	(1,907)
Purchase of treasury shares	(1,244)	(2,625)	(1,387)
Net cash provided by (used in) financing activities	(27,632)	(21,699)	12,947
Increase (decrease) in cash and cash equivalents	349	398	(7,441)
Cash and cash equivalents at beginning of year	6,095	5,697	13,138
Cash and cash equivalents at end of year	\$ 6,444	\$ 6,095	\$ 5,697

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Consolidated Statements of Shareholders' Equity

(in thousands, except per share data)	Common Shares	Additional Paid-in Capital	Treasury Shares	Accumulated Other Comprehensive Loss	Unearned Compensation	Retained Earnings	Total
Balances at January 1, 2001	\$84	\$66,488	\$ (9,852)	\$ —	\$ (78)	\$33,194	\$ 89,836
Net income						8,857	8,857
Other comprehensive income:							
Cumulative effect of accounting change				(1,172)			(1,172)
Other				208			208
Comprehensive income							7,893
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$18 (62 shares)		(57)	552		(163)		332
Amortization of unearned compensation					158		158
Purchase of treasury shares (166 shares)			(1,387)				(1,387)
Dividends declared (\$0.26 per common share)						(1,898)	(1,898)
Balances at December 31, 2001	84	66,431	(10,687)	(964)	(83)	40,153	94,934
Net income						14,244	14,244
Other comprehensive income :							
Cash flow hedge activity				149			149
Comprehensive income							14,393
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$303 (132 shares)		231	754		(145)		840
Amortization of unearned compensation					155		155
Purchase of treasury shares (216 shares)			(2,625)				(2,625)
Dividends declared (\$0.265 per common share)						(1,932)	(1,932)
Balances at December 31, 2002	84	66,662	(12,558)	(815)	(73)	52,465	105,765
Net income						11,701	11,701
Other comprehensive income:							
Cash flow hedge activity				460			460
Comprehensive income							12,161
Stock awards, stock option exercises, and other shares issued to employees and directors, net of income tax of \$387 (129 shares)		517	684		(237)		964
Amortization of unearned compensation					190		190
Purchase of treasury shares (100 shares)			(1,244)				(1,244)
Dividends declared (\$0.285 per common share)						(2,045)	(2,045)
Balances at December 31, 2003	\$84	\$67,179	\$ (13,118)	\$ (355)	\$ (120)	\$62,121	\$ 115,791

The Notes to Consolidated Financial Statements are an integral part of these statements.

The Andersons, Inc.
Notes to Consolidated Financial Statements

1. Basis of Financial Presentation

These consolidated financial statements include the accounts of The Andersons, Inc. and its wholly-owned and majority-owned subsidiaries (the “Company”). All significant intercompany accounts and transactions are eliminated in consolidation.

2. Summary of Significant Accounting Policies

Use of Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid debt instruments purchased with an initial maturity of three months or less. The carrying values of these assets approximate their fair values.

Inventories and Inventory Commitments

Grain inventories include owned bushels of grain, the value of forward contracts to buy and sell grain, and exchange traded futures and option contracts used to hedge the value of both owned grain and forward contracts. Each of these grain inventory components is marked to the market price. The forward contracts require performance in future periods. Contracts to purchase grain from producers generally relate to the current or future crop years for delivery periods quoted by regulated commodity exchanges. Contracts for the sale of grain to processors or other consumers generally do not extend beyond one year. The terms of contracts for the purchase and sale of grain are consistent with industry standards.

All other inventories are stated at the lower of cost or market. Cost is determined by the average cost method.

Investments In and Advances to Affiliates

The Company holds investments in three limited liability companies and one corporation that are accounted for under the equity method. The Company’s equity in these entities is presented at cost plus its accumulated proportional share of income / loss less any distributions it has received. The Company’s share of income on its investment in these entities aggregated \$0.4

million in 2003, was negligible in 2002 and 2001 and is included in other income in the statements of income.

In January 2003, the Company invested \$1.2 million in Lansing Grain Company, LLC (“LGC”) for a 15.1% interest. Lansing Grain Company, LLC was formed in late 2002 and includes the majority of the assets of the Lansing Grain Company. The terms of the Company’s investment include options to increase its investment in each of the next five years with the potential of attaining majority ownership in 2008. Even though the current ownership percentage of 15.1% is less than 20%, the Company has accounted for the investment under the equity method as its participation on the Board of Managers provides the ability to exercise significant influence over the operating and financial policies of LGC.

Derivatives - Commodity and Interest Rate Contracts

For the purpose of hedging its market price risk exposure on grain owned and related forward grain purchase and sale contracts, the Company holds regulated commodity futures and options contracts for corn, soybeans, wheat and oats. The Company accounts for all commodity contracts using a daily mark-to-market method, the same method it uses to value grain inventory and forward purchase and sale contracts. Company policy limits the Company’s unhedged grain position. While the Company considers its commodity contracts to be effective economic hedges, the Company does not designate or account for its commodity contracts as hedges. Realized and unrealized gains and losses in the value of commodity contracts (whether due to changes in commodity prices or due to sale, maturity or extinguishment of the commodity contract), grain inventories and related forward grain contracts are included in sales and merchandising revenues in the statements of income.

The Company also periodically enters into interest rate contracts to manage interest rate risk on borrowing or financing activities. The Company accounts for its long-term interest rate swap, Treasury rate lock and interest rate corridor contracts as cash flow hedges; accordingly, changes in the fair value of the instruments are recognized in other comprehensive income. While the Company considers all of its derivative positions to be effective economic hedges of specified risks, the Company does not designate or account for other open interest rate contracts as hedges. Changes in the market value of all other interest rate contracts are recognized currently in income. Upon termination of a derivative instrument or a change in the hedged item, any remaining fair value recorded on the balance sheet is immediately recorded as interest expense. The deferred derivative gains and losses on closed Treasury rate locks and the changes in fair value of the interest rate corridors are reclassified into income over the term of the underlying hedged items, which are either long-term debt or lease contracts.

In each of 2003 and 2002, the Company reclassified \$0.2 million of other comprehensive income into the Rail Group’s lease cost of sales under the reclassification policy noted above for amortization of the closed Treasury rate locks. Less than \$0.1 million in each of 2003 and 2002 was reclassified to interest expense as a result of amortization of other comprehensive income from the change in fair value of the interest rate corridors.

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In 2003, the Company entered into Canadian currency forward contracts totaling \$13.8 million in anticipation of acquiring a Canadian company. The value of these contracts was included on the balance sheet and marked-to-market and the resulting unrealized gains and losses were included in the statement of income. When the acquisition failed to be consummated, these positions were liquidated and the resulting realized gain of \$0.4 million is included in other income.

Railcars Available for Sale

The Company's Rail Group purchases, leases, markets and manages railcars for third parties and for internal use. Railcars to which the Company holds title are shown on the balance sheet in one of two categories – railcars available for sale or railcar assets leased to others. Railcars that have been acquired but have not been placed in service are classified as current assets and are stated at the lower of cost or market. Railcars leased to others, both on short- and long-term leases, are classified as long-term assets and are depreciated over their estimated useful lives.

Railcars have economic useful lives of either 40 or 50 years depending on type and year built. Railcars leased to others are depreciated over their remaining useful lives. Additional information about the Rail Group's leasing activities are presented in Note 10 to the consolidated financial statements.

Property, Plant and Equipment

Property, plant and equipment are carried at cost. Repairs and maintenance are charged to expense as incurred, while betterments that extend useful lives are capitalized. Depreciation is provided over the estimated useful lives of the individual assets, principally by the straight-line method. Estimated useful lives are generally as follows: land improvements and leasehold improvements – 10 to 16 years; buildings and storage facilities – 20 to 30 years; machinery and equipment – 3 to 20 years; and software – 3 to 10 years. The cost of assets retired or otherwise disposed of and the accumulated depreciation thereon are removed from the accounts, with any gain or loss realized upon sale or disposal credited or charged to operations.

Intangible Assets and Goodwill

Intangible assets are recorded at cost, less accumulated amortization. Amortization of intangible assets is provided over their estimated useful lives (generally 5 to 12 years) on the straight-line method. Goodwill is recorded net of accumulated amortization recognized through December 31, 2001. In accordance with Financial Accounting Standards Board ("FASB") Statement No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002, goodwill is no longer amortized, but is subject to periodic impairment tests. Intangible asset and goodwill balances, net of accumulated amortization, included in the balance sheet caption other assets and notes receivable were as follows:

(in thousands)	Group	Weighted Average Life (years)	Original Cost	Accumulated Amortization	Net Book Value
December 31, 2003					
Amortized intangible assets					
Trademarks / noncompete agreements / customer lists and other acquired intangibles	Processing	5	\$3,988	\$2,858	\$1,130
Patents and other	Various	12	199	89	110
			<u>\$4,187</u>	<u>\$2,947</u>	<u>\$1,240</u>
Intangible assets no longer subject to amortization					
Goodwill	Agriculture		\$ 948	\$ 308	\$ 640
Goodwill	Processing		791	105	686
			<u>\$1,739</u>	<u>\$ 413</u>	<u>\$1,326</u>
December 31, 2002					
Amortized intangible assets					
Trademarks / noncompete agreements / customer lists and other acquired intangibles	Processing	5	\$3,988	\$2,061	\$1,927
Customer lists	Agriculture	5	75	70	5
Patents and other	Various	12	179	73	106
			<u>\$4,242</u>	<u>\$2,204</u>	<u>\$2,038</u>

Amortization expense for intangible assets other than goodwill for each of 2003, 2002 and 2001 was \$0.8 million. Expected aggregate annual amortization is as follows: 2004 — \$0.8 million; 2005 — \$0.3 million; and negligible amounts for 2006 and thereafter. In 2001, goodwill amortization of \$0.2 million was included in net income (\$0.1 million after tax).

Impairment of Long-lived Assets

Long-lived assets, including intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of the assets to the undiscounted future net cash flows the Company expects to generate with the asset. If such assets are considered to be impaired, the Company recognizes impairment expense for the amount by which the carrying amount of the assets exceeds the fair value of the assets.

The Company recognized impairment losses on long-term railcars of \$0.3 million in both 2002 and 2001 in cost of sales. The railcar impairments were each recognized on cars nearing the end

of their useful life, which carried low lease rates. Fair value was determined by calculating the net present value of the lease stream of the railcars and their salvage value. This charge was recorded by the Rail Group. The railcar impairments were determined during the annual impairment review of long-term railcar assets. The Company also recognized a \$0.2 million impairment on an agricultural facility in 2002, which was included in operating, administrative and general expenses. The agricultural facility impairment was triggered by, and based on, the receipt of a bona fide offer from a third-party for an idle facility, and was recorded by the Agriculture Group, and was based on the amount of the third-party offer.

In addition, in 2001, the Company recorded a \$1.2 million lower of cost or market adjustment for railcars classified as available for sale. Since railcars available for sale are held as current inventory, the adjustment was made to reduce the value of these cars to their then current market value, determined through a review of recent sales prices of similar railcars.

Accounts Payable for Grain

Accounts payable for grain includes the liability for grain purchases on which price has not been established (delayed price). This amount has been computed on the basis of market prices at the balance sheet date, adjusted for the applicable premium or discount.

Cumulative Effect of Change in Accounting Principle

The Company has negotiated a marketing agreement with Cargill, Incorporated (“Cargill”) that covers certain of its grain facilities (some of which are leased from Cargill). Under the current provisions of this five-year amended and restated agreement (which began in June 1998, was renewed and amended in June 2003 and expires in May 2008), the Company sells grain from these facilities to Cargill at market prices. Income earned from operating the facilities (including buying, storing and selling grain and providing grain marketing services to its producer customers) is shared equally with Cargill once it exceeds a threshold amount. Measurement of this threshold is made on a cumulative basis and cash is paid to Cargill at each contract year end. The Company recognizes its pro-rata share of income to date at each month-end and accrues for any payment to Cargill in accordance with Emerging Issues Task Force Topic D-96, Accounting for Management Fees Based on a Formula (“Topic D-96”).

The original 1998 agreement provided a guarantee of income to the Company up to the threshold amount, measured on a cumulative basis. Any cumulative excess over the threshold was shared equally by the parties. Prior to 2002, the Company accounted for the 1998 marketing agreement by recognizing the proportionate share of income for the guarantee and deferring any excess income until the end of a contract year. The cumulative deferral was then amortized over the remaining months of the contract. On January 1, 2002, the Company changed its method of accounting to adopt Topic D-96 and recognized a cumulative effect adjustment of \$5.4 million (\$3.5 million, after tax).

At January 1, 2001, the Company recorded in the statement of income a transition adjustment of \$305 thousand (\$185 thousand after tax) as a result of adopting FASB Statement No. 133, as

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amended, “Accounting for Derivative Instruments and Hedging Activities.” This adjustment was made to write down open interest rate contracts to their fair values. The Company also reclassified deferred net losses of \$1.2 million to other comprehensive income. This amount represented deferred net losses on the settlement of Treasury rate locks entered into for the purpose of hedging the interest rate component of firm commitment lease transactions. The deferred losses will be recognized as a component of gross profit over the term of the underlying leases.

Stock-Based Compensation

The Company accounts for its stock-based compensation plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related interpretations. The Company has adopted the disclosure only provisions of FASB Statement No. 123, “Accounting for Stock-Based Compensation.” Accordingly, the Company provides pro forma disclosures assuming that the Company had accounted for its stock-based compensation programs using the fair value method promulgated by Statement No. 123. Included in net income reported was employee stock-based compensation of \$0.2 million in each of 2003, 2002 and 2001, respectively, related to restricted shares issued to employees.

(in thousands, except for per share data)	Year Ended December 31		
	2003	2002	2001
Net income reported	\$11,701	\$14,244	\$8,857
Add: Stock-based compensation expense included in reported net income, net of related tax effects	190	155	158
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(623)	(471)	(476)
Pro forma net income	\$11,268	\$13,928	\$8,539
Earnings per share:			
Basic – as reported	\$ 1.64	\$ 1.96	\$ 1.22
Basic – pro forma	\$ 1.58	\$ 1.91	\$ 1.17
Diluted – as reported	\$ 1.59	\$ 1.92	\$ 1.21
Diluted – pro forma	\$ 1.54	\$ 1.87	\$ 1.17

Revenue Recognition

Sales of products are recognized at the time title transfers to the customer, which is generally at the time of shipment or when the customer takes possession of goods in the retail stores. Under the Company’s mark-to-market method for its grain operations, gross profit on grain sales is recognized when sales contracts are executed. Sales of grain are then recognized at the time of shipment when title to the grain transfers to the customer. Revenues from other grain merchandising activities are recognized as open grain contracts are marked-to-market or as services are provided. Revenues for all other services are recognized as the service is provided.

Rental revenues on operating leases are recognized on a straight-line basis over the term of the lease. Sales of railcars to financial intermediaries on a non-recourse basis are recognized as revenue on the date of sale. Sales for these transactions totaled \$15.5 million, \$0.1 million and \$15.3 million in 2003, 2002 and 2001, respectively.

Certain of the Company's operations provide for customer billings, deposits or prepayments for product that is stored at the Company's facilities. The sales and gross profit related to these transactions is not recognized until the product is shipped in accordance with the previously stated revenue recognition policy and these amounts are classified as a current liability titled customer prepayments and deferred income.

Sales returns and allowances are provided for at the time sales are recorded. Shipping and handling costs are included in cost of sales. In all cases, revenues are recognized only if collectibility is reasonably assured.

Lease Accounting

The Company accounts for its leases under FASB Statement No. 13, as amended, and related pronouncements.

The Company's Rail Group leases and manages railcars for third parties, and leases railcars for internal use. The Company is an operating lessor of railcars that are owned by the Company, or leased by the Company from financial intermediaries. The Company records lease income for its activities as an operating lessor as earned, which is generally spread evenly over the lease term. The Company expenses operating lease payments made to financial intermediaries on a straight-line basis over the lease term.

The Company periodically enters into leases with Rail Group customers that are classified as direct financing capital leases. Although lease terms are not significantly different from other operating leases that the Company maintains with its railcar customers, they qualify as capital leases. For these leases, the net minimum lease payments, net of unearned income is included in prepaid expenses and other current assets for the amount to be received within one year and the remainder in other assets. In 2003, the Company sold all of its direct financing lease receivables to a financial intermediary for \$3.1 million and recognized a gain of \$1.6 million.

The Company also arranges non-recourse lease transactions under which it sells railcars or locomotives to financial intermediaries and assigns the related operating lease on a non-recourse basis. The Company generally provides ongoing railcar maintenance and management services for the financial intermediaries, and receives a fee for such services when earned. On the date of sale, the Company recognizes the proceeds from sales of railcars in non-recourse lease transactions as revenue. Management and service fees are recognized as revenue as the underlying services are provided, which is generally spread evenly over the lease term.

The Company has financed the cost of certain railcar assets through a lease with a financial intermediary. The terms of this lease required the Company to capitalize the assets and record

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the net present value of the lease obligation on its balance sheet as a long-term borrowing. There was no gain or loss on this financing transaction. This obligation is included with the Company's long-term debt as described in Note 7 to the consolidated financial statements. The railcars under this lease are being depreciated to their residual value over the term of the lease. Details of the book value of the railcars are included in Note 4 to the consolidated financial statements.

Income Taxes

Income tax expense for each period includes taxes currently payable plus the change in deferred income tax assets and liabilities. Deferred income taxes are provided for temporary differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws governing periods in which the differences are expected to reverse. The Company evaluates the realizability of deferred tax assets and provides a valuation allowance for amounts that management does not believe are more likely than not to be recoverable, as applicable.

Advertising

Advertising costs are expensed as incurred. Advertising expense of \$3.6 million, \$3.8 million and \$4.2 million in 2003, 2002, and 2001, respectively, is included in operating, administrative and general expenses.

Earnings per Share

Basic earnings per share is equal to net income divided by weighted average shares outstanding. Diluted earnings per share is equal to basic earnings per share plus the incremental per share effect of dilutive options and restricted shares.

(in thousands)	Year ended December 31		
	2003	2002	2001
Weighted average shares outstanding – basic	7,141	7,283	7,281
Restricted shares and shares contingently issuable upon exercise of options	199	146	35
Weighted average shares outstanding – diluted	7,340	7,429	7,316

Diluted earnings per common share excludes the impact of 1 thousand and 260 thousand employee stock options for 2002 and 2001, respectively, as such options were antidilutive. There were no such antidilutive options in 2003.

New Accounting Standards

In December 2003, the FASB issued a revision to Interpretation No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 provides guidance on identification of a variable interest

entity (“VIE”) and on determination of whether the VIE should be consolidated in an enterprise’s financial statements. In general, an enterprise deemed to be the primary beneficiary of a VIE is required to consolidate the VIE. FIN No. 46 is effective immediately for any special-purpose entities and must be adopted for any pre-existing VIEs by the end of March 31, 2004.

The Company’s railcar leasing activities, as described above, include transactions with financial intermediaries that may constitute variable interest entities under the guidance of FIN No. 46. The preliminary evaluation of these arrangements to determine whether any of these arrangements involves a VIE or, if a VIE exists, whether the Company is the primary beneficiary of the VIE, concluded that it is unlikely that VIE’s will be consolidated. However, further interpretations of this standard could result in changes to that conclusion.

In December 2003, the FASB issued a revision of SFAS No. 132, “Employers Disclosure about Pensions and Other Post Retirement Benefits,” to expand disclosure requirements to include descriptions of plan assets, investment strategy, measurement dates, plan obligations, cash flows and components of net periodic benefit cost recognized during interim periods. The Company adopted the provisions of SFAS No. 132, as revised, on December 31, 2003 as reflected in Note 11. The adoption did not impact the consolidated financial statements, results of operations or liquidity of the Company.

Reclassifications

Certain amounts in the 2002 and 2001 financial statements have been reclassified to conform to the 2003 presentation. These reclassifications had no effect on net income or shareholders’ equity as previously presented.

3. Inventories

Major classes of inventories are as follows:

(in thousands)	December 31	
	2003	2002
Grain	\$152,703	\$156,742
Agricultural fertilizer and supplies	33,665	25,699
Lawn and garden fertilizer and corn cob products	42,631	42,947
Retail merchandise	28,898	29,076
Railcar repair parts	1,572	1,455
Other	286	356
	<u>\$259,755</u>	<u>\$256,275</u>

4. Property, Plant and Equipment and Railcar Assets Leased to Others

The components of property, plant and equipment and railcar assets leased to others are as follows:

(in thousands)	December 31	
	2003	2002
Land	\$ 11,845	\$ 11,735
Land improvements and leasehold improvements	30,086	29,122
Buildings and storage facilities	99,120	95,892
Machinery and equipment	124,753	121,911
Software	5,470	4,771
Construction in progress	1,293	2,369
	<u>272,567</u>	<u>265,800</u>
Less accumulated depreciation and amortization	180,118	172,861
	<u>\$ 92,449</u>	<u>\$ 92,939</u>
	<u> </u>	<u> </u>
Railcar assets leased to others	\$ 37,174	\$ 32,144
Less accumulated depreciation	7,685	5,745
	<u>\$ 29,489</u>	<u>\$ 26,399</u>

On December 31, 2001, the Company entered into a sale-leaseback transaction with a financial institution; the Company accounts for its leaseback as a capital lease. These assets have a cost of \$4.1 million and are included with railcar assets leased to others for both 2003 and 2002. Accumulated amortization for these assets was \$0.5 and \$0.3 million at December 31, 2003 and 2002, respectively.

5. Nonoperating Gains

During 2002, a conference facility owned by the Company was damaged by fire. This facility was insured for replacement value and the Company received insurance funds to repair the damaged assets. The 2002 gain of \$0.3 million represents the insurance proceeds received in 2002 in excess of the net book value of the destroyed assets.

During 2000, a grain tank and related assets at the Company's Albion, Michigan facility were destroyed in a windstorm. This facility was insured for replacement value and the Company received insurance funds to replace the assets lost. The 2001 gain of \$0.3 million represents the insurance proceeds received in 2001 in excess of the net book value of the destroyed assets.

6. Short-Term Borrowing Arrangements

During 2003, the Company renewed its borrowing arrangement with a syndicate of banks. The arrangement, initially entered into in 2002, provides the Company with \$150 million in short-term lines of credit and an additional \$50 million in a three-year line of credit. Short-term

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borrowings under this arrangement totaled \$48.0 and \$70.0 million at December 31, 2003 and 2002, respectively. The borrowing arrangement terminates on October 29, 2004 but allows for indefinite renewals at the Company's option and as long as certain covenants are met. Management expects to renew the arrangement prior to its termination date. Borrowings under the lines of credit bear interest at variable interest rates, which are based on LIBOR, the prime rate or the federal funds rate, plus a spread. The terms of the borrowing agreement provide for annual commitment fees. Prior to the 2002 syndication, the Company managed several separate lines of credit for unsecured short-term debt with banks. The following information relates to short-term borrowings:

(in thousands, except percentages)	2003	December 31 2002	2001
Maximum amount borrowed	\$127,200	\$139,200	\$130,400
Average daily amount borrowed	93,453	92,534	91,014
Weighted average interest rate	2.07%	3.24%	5.10%

7. Long-Term Debt and Interest Rate Contracts

Long-term debt consists of the following:

(in thousands, except percentages)	December 31	
	2003	2002
Note payable, 5.55%, payable \$143 monthly, remainder due 2012	\$16,971	\$17,758
Note payable, 6.95%, payable \$317 quarterly, remainder due 2008	14,879	16,147
Note payable, 5.55%, payable \$291 quarterly beginning in 2004, due 2016	10,541	10,681
Note payable, variable rate (2.56% at December 31, 2003), payable quarterly, due 2005	6,291	6,787
Industrial development revenue bonds:		
Variable rate (1.21% at December 31, 2003), due 2019	4,650	4,650
Variable rate (1.25% at December 31, 2003), due 2025	3,100	3,100
Liabilities related to acquisition, discounted at 8.25%, due in variable quarterly installments through 2005	2,059	2,651
Debenture bonds, 5.50% to 8.00%, due 2004 through 2013	25,083	27,628
Obligations under capital lease	3,563	4,150
Other notes payable and bonds	442	495
	87,579	94,047
Less current maturities	5,452	9,775
	\$82,127	\$84,272

In connection with its short-term borrowing agreement with a syndicate of banks, the Company obtained an unsecured \$50.0 million long-term line of credit. Borrowings under this line of credit will bear interest based on LIBOR, plus a spread. The long-term line of credit expires on

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October 30, 2005, but may be renewed by the Company for an additional three years as long as covenants are met. After considering its standby letters of credit totaling \$9.1 million at December 31, 2003, the Company had available borrowing capacity under this facility of \$40.9 million.

The notes payable due 2008, 2012 and 2016 and the industrial development revenue bonds are collateralized by first mortgages on certain facilities and related equipment with a book value of \$27.7 million. The note payable due 2005 is collateralized by railcars with a book value of \$5.4 million.

The Company's short-term and long-term borrowing agreements include both financial and non-financial covenants that require the Company, among other things, to:

- maintain minimum working capital of \$45.0 million and net equity (as defined) of \$65.0 million;
- limit the addition of new long-term recourse debt;
- limit its unhedged grain position to 2.0 million bushels; and
- restrict the amount of dividends paid.

The Company was in compliance with all covenants at December 31, 2003 and 2002.

The aggregate annual maturities of long-term debt, including sinking fund requirements and capital lease obligations, are as follows: 2004 — \$5.5 million; 2005 — \$10.3 million; 2006 — \$11.2 million; 2007 — \$8.1 million; 2008 — \$16.4 million; and \$36.1 million thereafter.

Interest paid (including interest on short-term lines of credit) amounted to \$7.8 million, \$10.1 million and \$10.7 million in 2003, 2002 and 2001, respectively.

The Company has entered into derivative interest rate contracts to manage interest rate risk on short-term borrowings. The contracts convert variable interest rates to short-term fixed rates, consistent with projected borrowing needs. At December 31, 2003, the Company has entered into three forward starting short-term interest rate derivatives with a total notional amount of \$30.0 million to hedge its short-term borrowings. These agreements fix interest rates between 2.06% and 2.39% and are effective at various terms between October 2004 and October 2005. The Company also had a three year swaption starting December 5, 2003, cancelable at the option of the bank on March 3, 2004, that fixes interest rates at 1.21% for a total notional amount of \$15.0 million. The bank exercised its cancellation option on March 3, 2004. Although these instruments are intended to hedge interest rate risk on short-term borrowings, the Company has elected not to account for them as hedges. Changes in their fair value are included in interest expense in the statement of income.

The Company has also entered into various derivative financial instruments to hedge the interest rate component of long-term debt and lease obligations. The following table displays the contracts open at December 31, 2003.

Interest Rate Hedging Instrument	Year Entered	Year of Maturity	Initial Notional Amount (in millions)	Hedged Item	Interest Rate
Cap	2000	2005	\$12.5	Interest rate component of a long-term note payable – not accounted for as a hedge	7.66%
Swap	2001	2004	\$14.6	Convert floating interest rate component of an operating lease to a fixed rate	3.27%
Corridor	2002	2006	\$ 4.8	Interest rate component of a railcar debt financing	4.25% - 7.00%
Corridor	2002	2007	\$ 4.3	Interest rate component of a railcar sale-leaseback transaction	4.25% - 7.00%
Cap	2003	2008	\$ 1.4	Interest rate component of an operating lease – not accounted for as a hedge	3.95%

The initial notional amounts on the above instruments amortize monthly in the same manner as the underlying hedged item. Changes in the fair value of the caps are included in interest expense in the statements of income, as they are not accounted for as cash flow hedges. The swap and the interest rate corridors are designated as cash flow hedges with changes in their fair values included as a component of other comprehensive income or loss. Also included in accumulated other comprehensive income are closed treasury rate locks entered into to hedge the interest rate component of railcar lease transactions prior to their closing. The reclassification of these amounts from other comprehensive income into interest or cost of railcar sales occurs over the term of the hedged debt or lease, as applicable.

The fair values of all derivative instruments are included in other assets and notes receivable or other long-term liabilities. The net fair value amount for 2003 and 2002 was less than \$0.1 million. The mark-to-market effect of long-term and short-term interest rate contracts on interest expense was a \$0.1 million additional interest expense in 2003 and 2001 and \$0.1 million interest credit for 2002. If there are no additional changes in fair value, the Company expects to reclassify \$0.1 million from other comprehensive income into interest expense or cost of railcar sales in 2004. Counterparties to the short and long-term derivatives are large international financial institutions.

8. Income Taxes

Income tax provision (benefit) consists of the following:

(in thousands)	Year ended December 31		
	2003	2002	2001
Current:			
Federal	\$5,124	\$3,606	\$3,311
State and local	758	200	117
	<u>5,882</u>	<u>3,806</u>	<u>3,428</u>
Deferred:			
Federal	206	1,288	(496)
State and local	176	144	(43)
	<u>382</u>	<u>1,432</u>	<u>(539)</u>
Total:			
Federal	5,330	4,894	2,815
State and local	934	344	74
	<u>\$6,264</u>	<u>\$5,238</u>	<u>\$2,889</u>

A reconciliation from the statutory U.S. federal tax rate to the effective tax rate follows:

	Year ended December 31		
	2003	2002	2001
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
Increase (decrease) in rate resulting from:			
Effect of commissions paid to foreign sales corporation or excluded extraterritorial income	(3.6)	(3.2)	(11.3)
State and local income taxes, net of related federal taxes	3.4	1.4	0.4
Other, net	0.1	(0.5)	0.1
Effective tax rate	<u>34.9%</u>	<u>32.7%</u>	<u>24.2%</u>

Income taxes paid in 2003, 2002 and 2001 were \$5.2 million, \$2.5 million and \$4.3 million, respectively.

Significant components of the Company's deferred tax liabilities and assets are as follows:

(in thousands)	December 31	
	2003	2002
Deferred tax liabilities:		
Property, plant and equipment and railcar assets leased to others	\$ (15,465)	\$ (14,084)
Prepaid employee benefits	(4,277)	(3,857)
Deferred income	(193)	—
Other	(386)	(344)
	(20,321)	(18,285)
Deferred tax assets:		
Employee benefits	7,160	6,469
Deferred income	—	1,805
Accounts and notes receivable	1,237	1,246
Inventory	2,721	947
Investments	1,043	13
Other	321	348
	12,482	10,828
Net deferred tax liability	\$ (7,839)	\$ (7,457)

In 2002, the Company decreased a \$1.9 million deferred tax asset related to its adoption of EITF Topic D-96 as discussed in Note 2. This amount was included in the statement of income as a cumulative effect of a change in accounting principle.

In 2002, the Company recorded a deferred tax asset of \$0.5 million, related to the accounting for derivatives under Statement 133. The 2002 amount is included in other comprehensive income in the statement of shareholders' equity.

We have recorded reserves for tax exposures based on our best estimate of probable and reasonably estimable tax matters. We do not believe that a material additional loss is reasonably possible for tax matters.

9. Stock Compensation Plans

The Company's Amended and Restated Long-Term Performance Compensation Plan dated December 14, 2001 (the "LT Plan") authorizes the Board of Directors to grant options and share awards to employees and outside directors for up to 2.1 million of the Company's common shares. Options granted under the LT Plan have a maximum term of 10 years. Options granted to outside directors have a fixed term of five years and vest after one year. Options granted to management personnel under the LT Plan have a five-year term and vest 40% immediately, an additional 30% after one year and the remaining 30% after two years. Options granted under the LT Plan are structured as fixed grants with exercise price equal to the market value of the underlying stock on the date of the grant; accordingly, no compensation expense is recognized for these grants.

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The LT Plan also permits awards of restricted stock. The Company issued 24 thousand, 15 thousand and 21 thousand restricted shares during 2003, 2002 and 2001, respectively; 26 thousand restricted shares remain outstanding at December 31, 2003. These shares carry voting and dividend rights; however, sale of the shares is restricted prior to vesting. Restricted shares vest 50% after one year and the remaining 50% after two years. Restricted shares issued under the LT Plan are recorded at their fair value on the grant date with a corresponding charge to shareholders' equity representing the unearned portion of the award. The unearned portion is amortized as compensation expense on a straight-line basis over the related vesting period. Compensation expense related to restricted stock issued under the LT Plan amounted to \$0.2 million in each of 2003, 2002 and 2001.

Certain Company executives and outside directors have elected to receive a portion of their cash compensation in stock options and/or restricted stock issued under the LT Plan. These options and restricted stock vest immediately. The options have a ten-year term. There were 4 thousand, 3 thousand and 6 thousand restricted shares issued in lieu of cash compensation in 2003, 2002 and 2001, respectively and 10 thousand options issued in 2002.

The Company's Employee Share Purchase Plan (the "ESP Plan") allows employees to purchase common shares through payroll withholdings. The Company has reserved 300 thousand common shares for issuance to and purchase by employees under this plan. The ESP Plan also contains an option component. The purchase price per share under the ESP Plan is the lower of the market price at the beginning or end of the year. Employees purchased 23 thousand, 24 thousand and 33 thousand shares under the ESP Plan in 2003, 2002 and 2001, respectively. The Company records a liability for withholdings not yet applied towards the purchase of common stock. No compensation expense is recognized for stock purchases or options under the ESP Plan.

Pro forma information regarding net income and earnings per share required by FASB Statement No. 123, "Accounting for Stock-Based Compensation," is included in Note 2 to the consolidated financial statements and is determined as if the Company accounted for its employee stock options under the fair value method. The fair value of each option grant is estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions by year.

	2003	2002	2001
Long Term Performance Compensation Plan			
Risk free interest rate	2.78%	4.42%	4.99%
Dividend yield	2.20%	2.60%	3.01%
Volatility factor of the expected market price of the Company's common shares	.298	.300	.267
Expected life for the options (in years)	5.00	5.30	5.00
Employee Share Purchase Plan			
Risk free interest rate	1.32%	2.17%	5.32%
Dividend yield	2.20%	2.60%	3.01%
Volatility factor of the expected market price of the Company's common shares	.298	.300	.267
Expected life for the options (in years)	1.00	1.00	1.00

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

(common shares in thousands)	Long-Term Performance Compensation Plan					
	2003		2002		2001	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	808	\$ 9.37	915	\$ 9.18	862	\$9.24
Granted	205	12.70	171	10.00	224	8.63
Exercised	(205)	10.54	(239)	9.14	(93)	8.83
Expired/forfeited	(23)	9.23	(39)	9.12	(78)	8.68
Outstanding at end of year	785	\$ 9.94	808	\$ 9.37	915	\$9.18
				2003	2002	2001
Weighted average fair value of options granted during year				\$3.17	\$2.62	\$2.00
Options exercisable at end of year				611	662	732
Weighted average exercise price of options exercisable at end of year				\$9.34	\$9.35	\$9.35

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Options available for grant at December 31, 2003	641
Price range of options at December 31, 2003	\$8.25 to \$12.70
Weighted average remaining contractual life (in years)	4.10

The following table provides additional information about outstanding options categorized by exercise price.

Range of Exercise Price	Outstanding Options	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Life	Vested Options	Weighted Average Exercise Price of Vested Options
\$ 8.25 - - \$ 9.99	418	\$ 8.56	4.05	418	\$ 8.56
\$10.00 - \$11.74	164	\$10.01	4.34	120	\$10.01
\$11.75 - \$12.70	203	\$12.70	4.01	73	\$12.70

10. Other Commitments and Contingencies

Railcar leasing activities:

The Company is a lessor of railcars. The majority of railcars are leased to customers under operating leases that may be either net leases or full service leases under which the Company provides maintenance and fleet management services. The Company also provides such services to financial intermediaries to whom it has sold railcars and locomotives in non-recourse lease transactions. Fleet management services generally include maintenance, escrow, tax filings and car tracking services.

Many of the Company's leases provide for renewals. The Company also generally holds purchase options for railcars it has sold and leased-back from a financial intermediary, and railcars sold in non-recourse lease transactions.

Lease income from operating leases to customers and rental expense for railcar leases were as follows:

(in thousands)	Year ended December 31		
	2003	2002	2001
Rental and service income – operating leases	\$12,653	\$11,521	\$9,896
Rental expense	\$ 5,108	\$ 5,007	\$4,387

Future minimum rentals and service income for all noncancelable railcar operating leases greater than one year are as follows:

(in thousands)	Future Rental and Service Income – Operating Leases	Future Minimum Rental Expense
Year ended December 31		
2004	\$12,716	\$ 5,868
2005	9,682	4,407
2006	7,086	2,792
2007	5,669	2,254
2008	4,678	2,001
Future years	<u>13,303</u>	<u>6,749</u>
	<u>\$53,134</u>	<u>\$24,071</u>

Other Leasing Activities:

The Company, as a lessee, leases real property, vehicles and other equipment under operating leases. Certain of these agreements contain lease renewal and purchase options. The Company also leases excess property to third parties. Net rental expense under these agreements was \$4.9 million, \$5.1 million and \$5.4 million in 2003, 2002 and 2001, respectively. Future minimum lease payments (net of sublease income commitments) under agreements in effect at December 31, 2003 are as follows: 2004 — \$2.7 million; 2005 — \$2.5 million; 2006 — \$1.2 million; 2007 — \$1.2 million; 2008 — \$1.0 million; and \$4.5 million thereafter.

Other Commitments:

The Company has agreed to fund a research and development effort at a rate of \$0.2 million per year for five years, ending June 30, 2007. The commitment may be satisfied, in part, by qualifying internal costs or expenditures to third parties.

The Company has from time to time entered into agreements which resulted in indemnifying third parties against certain potential liabilities. Management believes that judgments, if any, related to such agreements would not have a material effect on the Company's financial condition, results of operations or cash flow.

11. Employee Benefit Plan Obligations

Defined Contribution Plans:

The Company provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution plans. The Company's expense for its defined contribution plans amounted to \$1.4 million in each of 2003, 2002 and 2001. The Company also provides certain health insurance benefits to employees, including retirees.

Defined Benefit Plans:

The Company has both funded and unfunded noncontributory defined benefit pension plans that cover substantially all of its employees. The plans provide defined benefits based on years of service and average monthly compensation for the highest five consecutive years of employment within the final ten years of employment.

The Company also has postretirement health care benefit plans covering substantially all of its full time employees hired prior to January 1, 2003. These plans are generally contributory and include a limit on the Company's share for most retirees. Effective October 1, 2002, the Company amended its retiree health care plan to eliminate all retiree health care benefits for new employees hired after January 1, 2003. In addition, the Company has limited its premium contribution for future years to the rates in effect at December 31, 2002 plus a 3% inflation factor per year after that date. Finally, the Company raised its employee and retiree co-payments for all prescription drugs. These changes resulted in an \$8.7 million reduction in the benefit obligation as measured at December 31, 2002.

The measurement date for all plans is December 31.

Obligation and Funded Status

Following are the details of the liability and funding status of the pension and postretirement benefit plans:

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(in thousands)	Pension Benefits		Postretirement Benefits	
	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation at beginning of year	\$33,604	\$26,959	\$ 18,883	\$ 18,950
Service cost	2,684	2,265	532	721
Interest cost	2,148	1,891	1,266	1,601
Actuarial (gains)/losses	4,631	4,040	1,562	7,011
Plan amendment	—	—	—	(8,658)
Participant contributions	—	—	132	120
Benefits paid	(1,779)	(1,551)	(947)	(862)
Benefit obligation at end of year	41,288	33,604	21,428	18,883
Change in plan assets				
Fair value of plan assets at beginning of year	24,125	24,480	—	—
Actual gains (losses) on plan assets	5,878	(3,310)	—	—
Company contributions	4,296	4,506	815	742
Participant contributions	—	—	132	120
Benefits paid	(1,779)	(1,551)	(947)	(862)
Fair value of plan assets at end of year	32,520	24,125	—	—
Funded (underfunded) status of plans at end of year	(8,768)	(9,479)	(21,428)	(18,883)
Unrecognized net actuarial loss	14,591	14,670	16,773	16,063
Unrecognized prior service cost	63	89	(6,727)	(7,216)
Prepaid (accrued) benefit cost	\$ 5,886	\$ 5,280	\$ (11,382)	\$ (10,036)

Amounts recognized in the consolidated balance sheets at December 31 consist of:

(in thousands)	Pension Benefits		Postretirement Benefits	
	2003	2002	2003	2002
Accrued expenses	\$ (548)	\$ (548)	\$ —	\$ —
Pension asset	6,434	5,828	—	—
Employee benefit plan obligations	—	—	(11,382)	(10,036)
Net amount recognized	\$5,886	\$5,280	\$ (11,382)	\$ (10,036)

Included in employee and benefit plan obligations are \$2.7 million and \$1.7 million at December 31, 2003 and 2002, respectively, of deferred compensation for certain employees who, due to Internal Revenue Service guidelines, may not take full advantage of the Company's primary defined contribution plan. Assets funding this plan are recorded on the Company's consolidated balance sheet at fair value in prepaid expenses and other current assets.

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Amounts applicable to an unfunded Company defined benefit plan with accumulated benefit obligations in excess of plan assets are as follows:

	(in thousands)	2003	2002
Projected benefit obligation		<u>\$858</u>	<u>\$1,252</u>
Accumulated benefit obligation		<u>\$451</u>	<u>\$ 228</u>

Following are components of the net periodic benefit cost for each year:

(in thousands)	Pension Benefits			Postretirement Benefits		
	2003	2002	2001	2003	2002	2001
Service cost	\$ 2,684	\$ 2,265	\$ 1,884	\$ 532	\$ 721	\$ 610
Interest cost	2,148	1,891	1,560	1,266	1,601	1,224
Expected return on plan assets	(2,182)	(2,197)	(2,366)	—	—	—
Amortization of prior service cost	26	26	26	(489)	(122)	—
Recognized net actuarial loss	1,014	246	25	852	587	420
Amortization of net transition obligation	—	—	—	—	83	111
Benefit cost	<u>\$ 3,690</u>	<u>\$ 2,231</u>	<u>\$ 1,129</u>	<u>\$2,161</u>	<u>\$2,870</u>	<u>\$2,365</u>

Assumptions

Weighted Average Assumptions	Pension Benefits			Postretirement Benefits		
	2003	2002	2001	2003	2002	2001
Used to Determine Benefit Obligations at Measurement Date						
Discount rate	6.25%	6.75%	7.25%	6.25%	6.75%	7.25%
Rate of compensation increases	4.00%	4.00%	4.00%	—	—	—
Used to Determine Net Periodic Benefit Cost for Years ended December 31						
Discount rate	6.75%	7.25%	7.50%	6.75%	7.25%	7.50%
Expected long-term return on plan assets	9.00%	9.00%	9.00%	—	—	—
Rate of compensation increases	4.00%	4.00%	4.00%	—	—	—

The expected long-term return on plan assets was determined based on the current asset allocation and historical results from plan inception. Our expected long-term rate of return on plan assets is based on a target allocation of assets, which is based on our goal of earning the highest rate of return while maintaining risk at acceptable levels and is disclosed in the Plan Assets section of this Note. The plan strives to have assets sufficiently diversified so that adverse or unexpected results from one security class will not have an unduly detrimental impact on the entire portfolio.

Assumed Health Care Cost Trend Rates at Beginning of Year

	2003	2002
Health care cost trend rate assumed for next year	7.5%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	2008	2008

The assumed health care cost trend rate has a significant effect on the amounts reported for postretirement benefits. A one-percentage-point change in the assumed health care cost trend rate would have the following effects:

(in thousands)	One-Percentage-Point	
	Increase	Decrease
Effect on total service and interest cost components in 2003	\$316	\$(252)
Effect on postretirement benefit obligation as of December 31, 2003	412	(372)

To partially fund self-insured health care and other employee benefits, the Company makes payments to a trust. Assets of the trust amounted to \$4.1 million and \$4.0 million at December 31, 2003 and 2002, respectively, and are included in prepaid expenses and other current assets.

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act was signed into law. This law provides for a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the benefit established by the law. Because implementing regulations under the legislation have not been issued and the implications of the legislation's provisions on our retiree healthcare programs need to be fully assessed, we have elected to defer the accounting for the changes in Medicare. We will account for the effects of this legislation in the period in which authoritative guidance on the accounting for the federal subsidy is issued. The Company has not estimated the impact on our accumulated postretirement benefit obligation.

Plan Assets

The Company's pension plan weighted average asset allocations at December 31 by asset category, are as follows:

Asset Category	2003	2002
Equity securities	75%	65%
Debt securities	19%	22%
Cash and equivalents	6%	13%
	<u>100%</u>	<u>100%</u>

The investment policy and strategy for the assets of the Company's funded defined benefit plan includes the following objectives:

- ensure superior long term capital growth and capital preservation
- reduce the level of the unfunded accrued liability in the plan, and
- offset the impact of inflation

Risks of investing are managed through asset allocation and diversification and are monitored by the Company's pension committee on a semi-annual basis. Available investment options include U.S. Government and agency bonds and instruments, equity and debt securities of public corporations listed on U.S. stock exchanges, exchange listed U.S. mutual funds investing in equity and debt securities of publicly traded domestic or international companies and cash or money market securities. In order to minimize risk, the Company has placed the following portfolio market value limits on its investments, to which the investments must be rebalanced after each quarterly cash contribution. Note that the single security restriction doesn't apply to mutual funds.

	Percentage of Total Portfolio Market Value		
	Minimum	Maximum	Single Security
Equity based	60%	80%	<10%
Fixed income based	20%	35%	<5%
Cash and equivalents	1%	5%	<5%

There is no equity or debt of the Company included in the assets of the defined benefit plan. The December 31, 2003 and 2002 balances are outside the portfolio market value limits as significant a result of end of year contributions made and held as a cash or cash equivalent on the measurement date.

Cash Flows

The Company plans to contribute the minimum required contribution to its qualified defined benefit plan in 2004. The Company reserves the right to make contributions in excess of the legally required minimum contribution level, and, in fact, has done so in recent years.

12. Fair Values of Financial Instruments

The fair values of the Company's cash equivalents, margin deposits, short-term borrowings and certain long-term borrowings approximate their carrying values since the instruments are close to maturity and/or carry variable interest rates based on market indices. The Company accounts for investments in affiliates on the equity method. The estimated fair value of these investments could not be obtained without incurring excessive costs as these investments have no quoted market price.

Certain long-term notes payable and the Company's debenture bonds bear fixed rates of interest and terms of up to 12 years. Based upon current interest rates offered by the Company on similar

bonds and rates currently available to the Company for long-term borrowings with similar terms and remaining maturities, the Company estimates the fair values of its long-term debt instruments outstanding at December 2003 and 2002, as follows:

(in thousands)	Carrying Amount	Fair Value
2003:		
Long-term notes payable	\$44,450	\$44,900
Debenture bonds	25,083	25,919
	<u>\$69,533</u>	<u>\$70,819</u>
2002:		
Long-term notes payable	\$47,237	\$49,242
Debenture bonds	27,628	27,863
	<u>\$74,865</u>	<u>\$77,105</u>

13. Business Segments

The Company's operations include four reportable business Groups that are distinguished primarily on the basis of products and services offered. The Agriculture Group includes grain merchandising, the operation of terminal grain elevator facilities and the manufacture and distribution of agricultural inputs, primarily fertilizer, to dealers and farmers. The Rail Group includes the leasing, marketing and fleet management of railcars and locomotives, railcar repair and metal fabrication. The Processing Group includes the production and distribution of lawn care and corncob-based products. The Retail Group includes the operation of six large retail stores, a distribution center and a lawn and garden equipment sales and service shop.

Included in Other are the corporate level amounts not attributable to an operating Group and the marketing of the Company's excess real estate.

The segment information below (in thousands) includes the allocation of expenses shared by one or more Groups. Although management believes such allocations are reasonable, the operating information does not necessarily reflect how such data might appear if the segments were operated as separate businesses. Inter-segment sales are made at prices comparable to normal, unaffiliated customer sales. Operating income (loss) for each Group is based on net sales and merchandising revenues plus identifiable other income less all identifiable operating expenses, including interest expense for carrying working capital and long-term assets. Capital expenditures include additions to property, plant and equipment, software and intangible assets.

2003	Agriculture	Rail	Processing	Retail	Other	Total
Revenues from external customers	\$899,174	\$35,200	\$134,017	\$178,573	\$ —	\$1,246,964
Inter-segment sales	12,280	914	1,146	—	—	14,340
Other income (net)	2,518	90	964	835	641	5,048
Interest expense (income) (a)	5,134	925	1,906	1,320	(1,237)	8,048
Operating income (loss)	13,868	4,062	1,022	3,413	(4,400)	17,965
Identifiable assets	272,229	50,263	83,577	55,526	31,024	492,619
Capital expenditures	7,507	558	1,262	1,397	1,025	11,749
Railcar expenditures	—	20,498	—	—	—	20,498
Depreciation and amortization	5,986	3,064	2,272	2,470	1,347	15,139
2002	Agriculture	Rail	Processing	Retail	Other	Total
Revenues from external customers	\$762,268	\$18,747	\$114,315	\$181,197	—	\$1,076,527
Inter-segment sales	8,330	877	1,216	—	—	10,423
Other income (net)	1,340	41	501	685	872	3,439
Gain on insurance settlement	—	—	—	—	302	302
Interest expense (income) (a)	5,772	1,068	2,333	1,546	(907)	9,812
Operating income (loss)	15,154	1,563	(1,322)	4,003	(3,396)	16,002
Cumulative effect of change in accounting principle, net of tax effect	3,480	—	—	—	—	3,480
Identifiable assets	263,651	35,378	85,140	57,046	28,003	469,218
Capital expenditures	5,760	199	832	1,694	1,349	9,834
Railcar expenditures	—	8,203	—	—	—	8,203
Depreciation and amortization	5,950	2,525	2,263	2,415	1,161	14,314
2001	Agriculture	Rail	Processing	Retail	Other	Total
Revenues from external customers	\$658,524	\$31,061	\$112,827	\$177,949	\$ —	\$980,361
Inter-segment sales	5,645	930	1,212	—	—	7,787
Other income (net)	1,196	248	300	618	1,141	3,503
Gain on insurance settlement	338	—	—	—	—	338
Interest expense (income) (a)	6,179	1,846	3,428	1,900	(1,783)	11,570
Operating income (loss)	19,765	(349)	(7,654)	1,868	(1,699)	11,931
Cumulative effect of change in accounting principle, net of tax effect	—	—	—	—	(185)	(185)
Identifiable assets	244,289	45,037	84,709	57,289	27,000	458,324
Capital expenditures	5,845	166	1,549	907	688	9,155
Railcar expenditures	—	21,790	—	—	—	21,790
Depreciation and amortization	6,399	2,432	2,341	2,426	666	14,264

- (a) The interest income reported in the Other segment includes net interest income at the corporate level. These amounts result from a rate differential between the interest rate on which interest is allocated to the operating segments and the actual rate at which borrowings are made.

Grain sales for export to foreign markets amounted to approximately \$181 million, \$149 million and \$191 million in 2003, 2002 and 2001, respectively.

Grain sales of \$197 million, \$154 million and \$122 million in 2003, 2002, and 2001, respectively, were made to Cargill, Inc.

14. Subsequent Events

On February 12, 2004, the Company announced the completion of an acquisition of rolling stock and leasing assets from Railcar Ltd. and Progress Rail Services Corporation, both of which are part of Progress Energy, Inc.. The assets, which include approximately 6,700 railcars, 48 locomotives and contracts to manage an additional 2,600 railcars for third-party investors, were purchased for \$82.4 million and will be owned by several subsidiaries under TOP CAT Holdings LLC. TOP CAT Holdings is a newly formed LLC in which the Company is the sole equity investor. Assets will be managed by the Company's Rail Group and are currently under lease in the United States, Canada and Mexico. Non-recourse financing of approximately \$86.4 million was obtained to complete the asset purchase. The Company expects to complete its purchase price allocation in the first quarter of 2004 but anticipates the majority of cost will be allocated to the railcars and locomotives with some definite-lived intangible assets.

15. Quarterly Consolidated Financial Information (Unaudited)

The following is a summary of the unaudited quarterly results of operations for 2003 and 2002.

(in thousands, except for per common share data)

Quarter Ended	Net Sales	Gross Profit	Income (Loss) before Cumulative Effect		Net Income (Loss)	
			Amount	Per Share- Basic	Amount	Per Share- Basic
2003						
March 31	\$ 238,651	\$ 32,883	\$ (481)	\$(0.07)	\$ (481)	\$(0.07)
June 30	312,150	47,729	7,793	1.09	7,793	1.09
September 30	253,027	30,238	(2,349)	(0.33)	(2,349)	(0.33)
December 31	443,136	53,244	6,738	0.94	6,738	0.94
Year	<u>\$1,246,964</u>	<u>\$164,094</u>	<u>\$11,701</u>	1.64	<u>\$11,701</u>	1.64
2002						
March 31	\$ 215,561	\$ 35,015	\$ 681	\$ 0.09	\$ 4,161	\$ 0.57
June 30	301,001	48,919	8,328	1.14	8,328	1.14
September 30	204,868	33,779	(630)	(0.09)	(630)	(0.09)
December 31	355,097	45,388	2,385	0.33	2,385	0.33
Year	<u>\$1,076,527</u>	<u>\$163,101</u>	<u>\$10,764</u>	1.48	<u>\$14,244</u>	1.96

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None

Item 9A. Controls and Procedures

The Company is not organized with one Chief Financial Officer. Our Vice President, Controller and CIO is responsible for all accounting and information technology decisions while our Vice President, Finance and Treasurer is responsible for all treasury functions and financing decisions. Each of them, along with the President and Chief Executive Officer ("Certifying Officers"), are responsible for evaluating our disclosure controls and procedures. These named Certifying Officers have evaluated our disclosure controls and procedures as defined in the rules of the Securities and Exchange Commission, as of December 31, 2003 and have determined that such controls and procedures were effective in ensuring that material information required to be disclosed by the Company in the reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Our Certifying Officers are primarily responsible for the accuracy of the financial information that is presented in this report. To meet their responsibility for financial reporting, they have established internal controls and procedures which they believe are adequate to provide

reasonable assurance that the Company's assets are protected from loss. These procedures are reviewed by the Company's internal auditors in order to monitor compliance. In addition, our Board's Audit Committee, which is composed entirely of independent directors, meets regularly with management, internal audit and the independent auditors to review accounting, auditing and financial matters.

There were no significant changes in internal controls or in other factors that could significantly affect internal controls during the fourth quarter of 2003 or subsequent to the date of the Certifying Officers' evaluation.

PART III

Item 10. Directors and Executive Officers of the Registrant

For information with respect to the executive officers of the registrant, see "Executive Officers of the Registrant" included in Part I, Item 4a of this report. For information with respect to the Directors of the registrant, see "Election of Directors" in the Proxy Statement for the Annual Meeting of the Shareholders to be held on May 13, 2004 (the "Proxy Statement"), which is incorporated herein by reference; for information concerning 1934 Securities and Exchange Act Section 16(a) Compliance, see such section in the Proxy Statement, incorporated herein by reference.

Item 11. Executive Compensation

The information set forth under the caption "Executive Compensation" in the Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption "Share Ownership" and "Executive Compensation – Equity Compensation Plan Information" in the Proxy Statement is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

None

Item 14. Principal Accountant Fees and Services

The information set forth under "Appointment of Independent Auditors" in the Proxy Statement is incorporated herein by reference.

PART IV**Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K**

(a)(1) The consolidated financial statements of the Company are set forth under Item 8 of this report on Form 10-K

(2) The following consolidated financial statement schedule is included in Item 15(d):

	<u>Page</u>
II. Consolidated Valuation and Qualifying Accounts - years ended December 31, 2003, 2002 and 2001	72

All other schedules for which provisions are made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are not applicable, and therefore have been omitted.

(3) Exhibits:

- | | |
|------|---|
| 2.1 | Agreement and Plan of Merger, dated April 28, 1995 and amended as of September 26, 1995, by and between The Andersons Management Corp. and The Andersons. (Incorporated by reference to Exhibit 2.1 to Registration Statement No. 33-58963). |
| 3.1 | Articles of Incorporation. (Incorporated by reference to Exhibit 3(d) to Registration Statement No. 33-16936). |
| 3.4 | Code of Regulations of The Andersons, Inc. (Incorporated by reference to Exhibit 3.4 to Registration Statement No. 33-58963). |
| 4.3 | Specimen Common Share Certificate. (Incorporated by reference to Exhibit 4.1 to Registration Statement No. 33-58963). |
| 4.4 | The Seventeenth Supplemental Indenture dated as of August 14, 1997, between The Andersons, Inc. and The Fifth Third Bank, successor Trustee to an Indenture between The Andersons and Ohio Citizens Bank, dated as of October 1, 1985. (Incorporated by reference to Exhibit 4.4 to The Andersons, Inc. the 1998 Annual Report on Form 10-K). |
| 10.1 | Management Performance Program. * (Incorporated by reference to Exhibit 10(a) to the Predecessor Partnership's Form 10-K dated December 31, 1990, File No. 2-55070). |
| 10.2 | The Andersons, Inc. Amended and Restated Long-Term Performance Compensation Plan * (Incorporated by reference to Appendix A to the Proxy Statement for the April 25, 2002 Annual Meeting). |

10.3	The Andersons, Inc. Employee Share Purchase Plan * (Incorporated by reference to Appendix C to Registration Statement No. 33-58963).
10.4	Marketing Agreement between The Andersons, Inc. and Cargill, Incorporated dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003)
10.5	Lease and Sublease between Cargill, Incorporated and The Andersons, Inc. dated June 1, 1998 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003)
10.6	Amended and Restated Marketing Agreement between The Andersons, Inc.; The Andersons Agriculture Group LP; and Cargill, Incorporated dated June 1, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003)
10.7	Amendment to Lease and Sublease between Cargill, Incorporated; the Andersons Agriculture Group LP; and The Andersons, Inc. dated July 10, 2003 (Incorporated by reference from Form 10-Q for the quarter ended June 30, 2003)
10.8	Amended and Restated Asset Purchase agreement by and among Progres Rail Services and related entities and Cap Acquire LLC, Cap Acquire Canada ULC and Cap Acquire Mexico S. de R.L. de C.V. (Incorporated by reference from Form 8-K filed February 27, 2004)
10.9	Indenture between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (Issuers) and Wells Fargo Bank, National Association (Indenture Trustee) dated February 12, 2004
10.10	Management Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Manager) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Manager) dated February 12, 2004
10.11	Servicing Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Servicer) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Servicer) dated February 12, 2004
21	Subsidiaries of The Andersons, Inc.
23	Consent of Independent Accountants
31.1	Certification of President and Chief Executive Officer under Rule 13(a)-14(a)/15d-14(a)

31.2	Certification of Vice President, Corporate Controller & CIO under Rule 13(a)-14(a)/15d-14(a)
31.3	Certification of Vice President, Finance and Treasurer under Rule 13(a)-14(a)/15d-14(a)
32.1	Section 1350 Certifications

* Management contract or compensatory plan.

The Company agrees to furnish to the Securities and Exchange Commission a copy of any long-term debt instrument or loan agreement that it may request.

(b) Reports on Form 8-K:

A report on Form 8-K was filed on October 22, 2003 which contained the Company's third quarter press release.

(c) Exhibits:

The exhibits listed in Item 15(a)(3) of this report, and not incorporated by reference, follow "Financial Statement Schedule" referred to in (d) below.

(d) Financial Statement Schedule

The financial statement schedule listed in 15(a)(2) follows "Signatures."

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE ANDERSONS, INC. (Registrant)

By /s/Michael J. Anderson

Michael J. Anderson
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>	<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/Michael J. Anderson</u>	President and	3/11/04	<u>/s/Paul M. Kraus</u>	Director	3/11/04
Michael J. Anderson	Chief Executive Officer		Paul M. Kraus		
	(Principal Executive Officer)				
<u>/s/Richard R. George</u>	Vice President,	3/11/04	<u>/s/Donald L. Mennel</u>	Director	3/11/04
Richard R. George	Controller & CIO		Donald L. Mennel		
	(Principal Accounting Officer)				
<u>/s/Gary L. Smith</u>	Vice President,	3/11/04	<u>/s/David L. Nichols</u>	Director	3/11/04
Gary L. Smith	Finance & Treasurer		David L. Nichols		
	(Principal Financial Officer)				
<u>/s/Richard P. Anderson</u>	Chairman of the Board	3/11/04	<u>/s/Sidney A. Ribeau</u>	Director	3/11/04
Richard P. Anderson	Director		Sidney A. Ribeau		
<u>/s/Thomas H. Anderson</u>	Director	3/11/04	<u>/s/Charles A. Sullivan</u>	Director	3/11/04
Thomas H. Anderson			Charles A. Sullivan		
<u>/s/John F. Barrett</u>	Director	3/11/04	<u>/s/Jacqueline F. Woods</u>	Director	3/11/04
John F. Barrett			Jacqueline F. Woods		

THE ANDERSONS, INC.
SCHEDULE II - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(in thousands)		Additions			
Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts –	(1) Deductions	Balance at End of Period
Allowance for Doubtful Accounts Receivable – Year ended December 31					
2003	\$3,014	\$ 319	\$—	\$1,059	\$2,274
2002	2,701	514	—	201	3,014
2001	3,084	448	—	831	2,701
Allowance for Doubtful Notes Receivable – Year ended December 31					
2003	\$ 222	\$ 37	\$—	\$ —	\$ 259
2002	472	(161)	—	89	222
2001	698	(224)	—	2	472

(1) Uncollectible accounts written off, net of recoveries

THE ANDERSONS, INC.

EXHIBIT INDEX

Exhibit Number	
10.9	Indenture between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (Issuers) and Wells Fargo Bank, National Association (Indenture Trustee) dated February 12, 2004
10.10	Management Agreement between NARCAT LLC, CARCAT ULC, and NARCAT Mexico S. de R.L. de C.V. (the Companies), The Andersons, Inc. (the Manager) and Wells Fargo Bank, National Association (Indenture Trustee and Backup Manager) dated February 12, 2004
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32.1	Section 1350 Certifications

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NARCAT LLC,
CARCAT ULC, and
NARCAT MEXICO, S. DE R.L. DE C.V.
(the "Issuers")

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
(the "Indenture Trustee")

INDENTURE

Dated as of February 12, 2004

\$29,000,000 2.79% CLASS A-1 RAILCAR NOTES DUE 2019
\$21,000,000 4.57% CLASS A-2 RAILCAR NOTES DUE 2019
\$31,400,000 5.13% CLASS A-3 RAILCAR NOTES DUE 2019
\$ 5,000,000 14.00% CLASS B RAILCAR NOTES DUE 2019

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This INDENTURE, dated as of February 12, 2004 (herein, as amended, restated, and supplemented or otherwise modified from time to time as permitted hereby, this "Indenture"), is among NARCAT LLC, a Delaware limited liability company ("NARCAT"), CARCAT ULC, a Nova Scotia unlimited liability company ("CARCAT"), and NARCAT MEXICO, S. DE R.L. DE C.V., a Mexican limited liability company with variable capital ("NARCAT Mexico") (each, an Issuer," and, collectively, the "Issuers"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association (the "Indenture Trustee").

RECITALS

A The Issuers have duly authorized the execution and delivery of this Indenture to provide for four classes of the Issuers' Railcar Notes, designated as Class A-1 Notes (the "Class A-1 Notes"), Class A-2 Notes (the "Class A-2 Notes"), Class A-3 Notes (the "Class A-3 Notes" and, together with the Class A-1 Notes and the Class A-2 Notes, the "Class A Notes") and Class B Notes (the "Class B Notes" and, together with the Class A Notes, the "Notes"), issuable as provided in this Indenture.

B All obligations of the Issuers under this Indenture shall be joint and several, except as may be expressly provided otherwise herein; provided, however, that (a) all payments on the Class A-1 Notes, Class A-2 Notes and Class B Notes shall be made solely from amounts held in the NARCAT Collection Account (as defined herein) or, in the case of the Class A-1 Notes and Class A-2 Notes, the Class A Note Policy (as defined below), and (b) all payments on the Class A-3 Notes shall be made by or on behalf of CARCAT solely from amounts held in the CARCAT Collection Account (as defined herein) or the Class A Note Policy (as defined below) unless the Controlling Party (as defined herein) otherwise directs after an acceleration of the Notes following the occurrence of an Event of Default (as defined herein). All covenants and agreements made by the Issuers herein are for the benefit and security of the Holders of the Notes and the Class A Note Insurer (as defined below).

C MBIA Insurance Corporation, a New York domiciled stock insurance corporation (the "Class A Note Insurer") has issued and delivered a financial guaranty insurance policy, dated the date of initial issuance of the Class A Notes (together with any endorsements, the "Class A Note Policy"), pursuant to which the Class A Note Insurer agrees to make Insured Payments (as defined in the Class A Note Policy) with respect to the Class A Notes.

D As an inducement to the Class A Note Insurer to issue and deliver the Class A Note Policy, the Issuers and the Class A Note Insurer have executed and delivered (i) the Insurance and Indemnification Agreement, dated as of February 12, 2004 (as amended, restated, supplemented or otherwise modified, the "Insurance Agreement"), among the Issuers, the Servicer (as defined herein), the Manager (as defined herein), the Sellers (as defined herein), Holdco (as defined herein), the Indenture Trustee and the Class A Note Insurer, and (ii) the Premium Letter dated as of February 12, 2004 (as amended, restated, supplemented or otherwise modified, the "Premium Letter") between the Issuers and the Class A Note Insurer.

E The Issuers have agreed to pledge the Collateral (as defined herein) to the Indenture Trustee for the benefit of the Holders of the Notes and the Class A Note Insurer on the terms provided herein to secure the Issuers' performance of the Secured Obligations (as defined herein).

F Subject to the relative rights and priorities of the various Classes of Notes provided for herein, the covenants of each party are for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Notes and the Class A Note Insurer.

G All things necessary to make the Notes, when executed by the Issuers and authenticated and delivered hereunder, the valid joint and several obligations of the Issuers, and to make this Indenture a valid agreement of the parties hereto in accordance with its terms, have been done.

NOW, THEREFORE, in consideration of the premises, the mutual agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

GRANTING CLAUSE

The Issuers hereby Grant to the Indenture Trustee, for the benefit of the Holders of the Notes, as their interests may appear, and, subject to the provisions hereof, for the benefit of the Class A Note Insurer, all property of the Issuers, whether owned on the Closing Date or thereafter acquired, including, without limitation, all of the rights, title, interest and benefits of the Issuers in and to (a) the Existing Leases and all payments of Rent and other amounts due under the Existing Leases on or after the Closing Date or the Prefunded Railcar Acquisition Date, as applicable; (b) any Subsequent Leases and all payments of Rent and other amounts due under such Subsequent Leases on or after their dates of origination or, if later, the dates of transfer thereof to an Issuer; (c) the Railcars, including all rights of the Issuers in any associated registration numbers or marks; (d) the Cash Collateral Accounts, the Operating Expense Reserve Account (including the NARCAT OER Subaccount and the CARCAT OER Subaccount), the Prefunding Account, the Redemption Account (including the NARCAT Redemption Subaccount and the CARCAT Redemption Subaccount), the Policy Payment Account (including the NARCAT Policy Payment Subaccount and the CARCAT Policy Payment Subaccount) and the Collection Accounts and all Eligible Investments and any other funds or investments from time to time on deposit therein; (e) the Asset Purchase Agreement, each Sale Agreement, the Management Agreement, the Servicing Agreement, the Car Mark Agreement, the GNRR Agreement, the Railcar Storage Agreement and the Funds Transfer Agreement, including any remedies thereunder; (f) all warranties and maintenance agreements, if any, with respect to the Railcars; (g) any Insurance Policies, including rights to Insurance Proceeds, related to the Leases and the Railcars; (h) the Lease Files; (i) all books, records and other documents relating to the foregoing; and (j) all proceeds of the foregoing (including, but not by way of limitation, all cash proceeds, accounts, accounts receivable, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, recoveries, condemnation awards, rights to payment of any and every kind, and other forms of obligations and receivable which at any time constitute, all or part or are included in the proceeds of any of the foregoing), in each case whether now owned or

hereafter acquired (all of the foregoing being hereinafter referred to, collectively, as the "Collateral"). The Class A Notes, but not the Class B Notes, will also have the benefit of any payments to be made pursuant to the Class A Note Policy.

Such Grants are made in trust, to secure payments of amounts due with respect to the Notes ratably and without prejudice, priority or distinction between the Notes (subject to the payment priorities and other provisions of this Indenture), and to secure (i) the payment of all amounts on the Notes as such amounts become due in accordance with their terms, (ii) the payment of all other sums payable in accordance with the provisions of this Indenture and the other Transaction Documents, including, but not limited to, Reimbursement Obligations, and (iii) compliance by the Issuers with the provisions of this Indenture and the other Transaction Documents, all as provided in this Indenture.

The Indenture Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions of this Indenture, and agrees to perform the duties herein required pursuant to the terms and provisions of this Indenture and subject to the conditions hereof.

PROVIDED, HOWEVER, that if there shall well and truly be paid the principal of the Notes and the interest due or to become due on the Notes, at the times and in the manner mentioned in the Notes, according to the true intent and meaning thereof, and the Issuers shall cause all Reimbursement Obligations to be paid to the Class A Note Insurer and payments shall be made into the Collection Accounts as required under this Indenture and the payment of all other sums and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture and the other Transaction Documents to be kept, performed and observed by the Issuers, and the Issuers shall pay or cause to be paid to the Indenture Trustee and all of its agents for the registration, authentication, transfer or exchange of Notes all sums of money due or to become due to it or them in accordance with the terms and provisions hereof, then this Indenture and the rights hereby Granted shall cease, terminate and be void; otherwise, this Indenture shall be and remain in full force and effect.

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions. Except as otherwise expressly provided or unless the context otherwise requires, the following terms have the respective meanings set forth below for all purposes of this Indenture.

"AAR" shall mean the Association of American Railroads.

"Accounting Date" shall mean the last day of each Collection Period.

"Act" shall have, with respect to any Holder, the meaning set forth in Section 15.02.

"Affiliate" shall mean, with respect to any specified Person, any other Person directly or indirectly controlling or controlled by or under common control with such specified Person. For

the purposes of this definition, "control" when used with respect to any specified Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; the terms "controlling" and "controlled" have meanings correlative to the foregoing; and a Person shall be deemed to have control of another Person if the first such Person owns voting securities constituting an aggregate amount of at least 5% of the second such Person.

"Agent Member" shall mean the members of, or participants in, the Security Depository.

"Appraisal Date" shall mean January 30, 2004.

"Appraisals" shall mean the appraisals described in Section 4.01(q).

"Appraised Value Reduction Factor" shall mean, with respect to any Accounting Date and with respect to any Railcar, an amount equal to the following:

(a) if such Railcar was included in the Appraisals, the Appraised Value Reduction Factor of such Railcar will be determined by (i) subtracting from the Initial Appraised Value of such Railcar from an amount equal to one half of the sum of the values projected by each Appraiser to such Railcar as of the Projected Appraised Value Date, (ii) dividing the result by 84, and (iii) multiplying the foregoing by the number of months since the Accounting Date immediately preceding the Closing Date; and

(b) if such Railcar was added to the pool after the Appraisal Date, the Appraised Value Reduction Factor of such Railcar will be determined by (i) subtracting from the Initial Appraised Value of such Railcar an amount equal to the appraised value that would have been determined as of the Projected Appraised Value Date under clause (a) for railcars and locomotives having similar characteristics (such as type of car, year built, refurbishment, possible uses of the car) that were actually included in the Appraisals, (ii) dividing the result by 84, and (iii) multiplying the foregoing by the number of months since the Accounting Date immediately preceding the Closing Date.

"Article 9 Assets" shall mean the Collateral of a type in which an interest may be perfected by the filing of a financing statement pursuant to Article 9 of the Uniform Commercial Code in an applicable jurisdiction within the United States.

"Asset Purchase Agreement" shall mean the Amended and Restated Asset Purchase Agreement dated as of January 30, 2004, by and among Railcar Entities, The Andersons and the Sellers, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Authorized Officer" shall mean, with respect to any entity, any manager of such entity, or the President, any Vice President, any Assistant Vice President, or any other officer or employee of, or authorized signatory or agent for, such entity who has been duly authorized by the Board of Directors of such entity, or any authorized officer of such entity, to perform the specific act or duty or to sign the specific document in question.

"Automatic Acceleration" shall have the meaning set forth in Section 6.02.

"Available Funds" shall mean, with respect to any Payment Date all cash received during the related Collection Period from the following: (a) Collections received by the Servicer or the Indenture Trustee, (b) net earnings on the funds on deposit in the Collection Accounts, the Operating Expense Reserve Account (including the NARCAT OER Subaccount and the CARCAT OER Subaccount) and the Prefunding Account, (c) an amount equal to the lesser of (i) the aggregate balances of the Cash Collateral Accounts as of the related Accounting Date and (ii) the aggregate amount required to be withdrawn from the Cash Collateral Accounts with respect to such Payment Date in accordance with Section 12.03(a), (d) indemnification amounts paid pursuant to the Asset Purchase Agreement and received by the Indenture Trustee, other than any such indemnification amounts to which the Initial Manager shall be entitled pursuant to Section 4.04(f) of the Management Agreement; and (e) any amounts on deposit in the Collection Accounts as of the related Accounting Date (including any Class A Note Insurer Optional Deposit), to the extent not duplicative of the items described in clauses (a) through (d).

"Backup Manager" shall have the meaning set forth in the preamble of the Management Agreement.

"Backup Manager Fee" shall have the meaning set forth in the Management Agreement.

"Backup Servicer" shall have the meaning set forth in the preamble of the Servicing Agreement.

"Backup Servicer Fee" shall have the meaning set forth in the Servicing Agreement.

"Bailee Letter" shall mean that certain Bailee Letter, dated January 30, 2004, by and among the Railcar Entities and the Indenture Trustee, a form of which is attached hereto as Exhibit E.

"Basic Principal Payment" shall mean, with respect to each Payment Date, an amount equal to the sum of (a) the lesser of (i) the Note Principal Balance of all Outstanding Notes and (ii) with respect to the Payment Dates in March and April of 2004, zero, and with respect to each Payment Date thereafter, \$600,000, and (b) any Overdue Basic Principal Payments.

"Benefit Plan" shall have the meaning set forth in Section 3.05(c)(viii).

"Board of Directors" shall mean either the board of directors, managers, or other applicable management individuals of any Person or any duly authorized committee of such board or group.

"Board Resolution" shall mean a copy of a resolution certified by the Secretary or an Assistant Secretary of a Person to have been duly adopted by its Board of Directors and to be in full force and effect on the date of such certification.

"Book-Entry Notes" shall mean a beneficial interest in the Class A-1 Notes and Class A-2 Notes which are owned by QIBs, ownership and transfers of which shall be made through book entries by a Security Depository as described in Section 2.02.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banking institutions in New York, New York, Toledo, Ohio, Toronto, Ontario or the city and state in which the Indenture Trustee maintains its Corporate Trust Office are authorized or obligated by law, regulation or executive order to be closed.

"Canadian Article 9 Asset" shall mean all Article 9 Assets which the Canadian Seller purports to transfer to CARCAT pursuant to the CARCAT Sale Agreement.

"Canadian Filed Documents" shall mean those documents filed with the Canadian Regulator within 10 days of the Closing Date pursuant to Section 2.03(h) of the Management Agreement.

"Canadian Insolvency Proceedings" shall mean proceedings commenced by or against the Canadian Seller under the Bankruptcy and Insolvency Act (Canada), the Winding-up and Restructuring Act (Canada), the Companies' Creditors Arrangement Act (Canada), the oppression remedy provisions of the Nova Scotia Companies Act, or the appointment of a receiver of the Canadian Seller under Canadian or Nova Scotia law, as applicable.

"Canadian Lease" shall mean a Lease with a Lessee for which a Canadian address is referenced on the Lease.

"Canadian Railcar" shall mean a Railcar which is the subject of a Canadian Lease.

"Canadian Regulator" shall mean the Office of the Registrar General of Canada, which maintains the database pursuant to Section 105 of the Canada Transportation Act.

"Canadian Seller" shall mean Cap Acquire Canada ULC, a Nova Scotia unlimited liability company, and its permitted successors and assigns.

"Canadian Tax Act" shall mean the Income Tax Act (Canada).

"Capped Manager Reimbursement" shall mean the aggregate amount payable on any Payment Date pursuant to Section 12.02(d)(vi) and Section 6.08(a)(vi), which aggregate amount shall not exceed \$50,000.

"Car Hire Rules" shall mean the U.S. Code of Car Hire Rules, Circular No. OT-10, and the related rules and regulations, promulgated by the AAR, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Car Mark Agreement" shall mean that certain Car Mark Agreement, dated as of the Closing Date, by and between Progress Rail Services Corporation and the U.S. Seller.

"Car Service Rules" shall mean the U.S. Code of Car Service Rules, Circular No. OT-10, and the related rules and regulations, promulgated by the AAR, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"CARCAT" shall mean CARCAT ULC, a Nova Scotia unlimited liability company, and its permitted successors and assigns.

"CARCAT Cash Collateral Account" shall mean the segregated trust account established and maintained in the name of CARCAT, and pledged to the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer, established in accordance with Section 12.03, which account shall constitute part of the Collateral.

"CARCAT Collection Account" shall mean the segregated trust account established and maintained in the name of CARCAT, for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer, established in accordance with Section 12.02, which account shall constitute part of the Collateral.

"CARCAT OER Subaccount" shall have the meaning set forth in Section 12.04(a).

"CARCAT OER Subaccount Required Balance" shall have the meaning set forth in Section 12.04(a).

"CARCAT Policy Payment Subaccount" shall have the meaning set forth in Section 12.05(a).

"CARCAT Redemption Subaccount" shall have the meaning set forth in Section 12.07(a).

"CARCAT Sale Agreement" shall mean the CARCAT Sale Agreement, dated as of February 12, 2004, between the Canadian Seller and CARCAT, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Cash Collateral Accounts" shall mean, individually or collectively, as the context may require, the NARCAT Cash Collateral Account and the CARCAT Cash Collateral Account.

"Class" shall mean all of the Notes of a series having the same interest rate, priority of payments and designation.

"Class A Note Insurer" shall have the meaning set forth in the Recitals.

"Class A Note Insurer Default" shall mean the existence and continuance of any of the following:

(a) the Class A Note Insurer shall have failed to make a payment required under the Class A Note Policy in accordance with its terms;

(b) the Class A Note Insurer shall have (i) filed a petition or commenced any case or proceeding under any provision or chapter of the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation, or reorganization, (ii) made a general assignment for the benefit of its creditors, or (iii) had an order for relief entered against it under the United States Bankruptcy Code or any other similar federal or state law relating to insolvency, bankruptcy, rehabilitation, liquidation, or reorganization which is final and nonappealable; or

(c) a court of competent jurisdiction or the New York Department of Insurance or other competent regulatory authority shall have entered a final and nonappealable order, judgment, or decree (i) appointing a custodian, trustee, agent or receiver for the Class A Note Insurer or for all or any material portion of its property or (ii) authorizing the taking of possession by a custodian, trustee, agent, or receiver of the Class A Note Insurer (or the taking of possession of all or any material portion of the property of the Class A Note Insurer).

"Class A Note Insurer Optional Deposit" shall have the meaning set forth in Section 12.08.

"Class A Note Interest" shall mean, with respect to any Payment Date, the sum of the Class A-1 Note Interest, the Class A-2 Note Interest and the Class A-3 Note Interest.

"Class A Note Policy" shall have the meaning set forth in the Recitals.

"Class A Notes" shall have the meaning set forth in the Recitals.

"Class A Overdue Interest" shall mean, with respect to any Payment Date, the sum of the Class A-1 Overdue Interest, the Class A-2 Overdue Interest and the Class A-3 Overdue Interest.

"Class A-1 Holders" shall mean the holders of the Class A-1 Notes.

"Class A-1 Note Interest" shall mean (a) with respect to the initial Payment Date, the product of (i) $1/360$ of the Class A-1 Note Interest Rate times (ii) the actual number of days from and including the Closing Date through the day immediately preceding the initial Payment Date times (iii) the Note Principal Balance of the Class A-1 Notes as of the Closing Date, and (b) with respect to any subsequent Payment Date, the sum of (i) the product of (x) $1/12$ of the Class A-1 Note Interest Rate times (y) the Note Principal Balance of the Class A-1 Notes as of the immediately preceding Payment Date after giving effect to all payments of principal of the Class A-1 Notes on such immediately preceding Payment Date and (ii) the Class A-1 Overdue Interest, if any.

"Class A-1 Note Interest Rate" shall mean 2.79% per annum.

"Class A-1 Notes" shall mean the Railcar Notes, designated as Class A-1 Railcar Notes, issued in accordance with the provisions of this Indenture.

"Class A-1 Overdue Interest" shall mean, with respect to any Payment Date, the sum of (a) the positive difference, if any, between (i) the amount of Class A-1 Note Interest due on the immediately preceding Payment Date and (ii) the amount of Class A-1 Note Interest actually paid to Holders (from Available Funds, without giving effect to any draws under the Class A Note Policy) on such immediately preceding Payment Date, plus (b) (to the extent permitted by law) interest on any such shortfall at the Overdue Rate from and including the immediately preceding Payment Date through the day immediately preceding the Payment Date of such calculation.

"Class A-1/A-2 Initial Purchaser" shall mean BB&T Capital Markets.

"Class A-1/A-2 Purchase Agreement" shall mean that certain purchase agreement, dated February 9, 2004, by and among the Issuers, The Andersons and the Class A-1/A-2 Initial Purchaser, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Class A-2 Holders" shall mean the holders of the Class A-2 Notes.

"Class A-2 Note Interest" shall mean (a) with respect to the initial Payment Date, the product of (i) $1/360$ of the Class A-2 Note Interest Rate times (ii) the actual number of days from and including the Closing Date through the day immediately preceding the initial Payment Date times (iii) the Note Principal Balance of the Class A-2 Notes as of the Closing Date, and (b) with respect to any subsequent Payment Date, the sum of (i) the product of (x) $1/12$ of the Class A-2 Note Interest Rate times (y) the Note Principal Balance of the Class A-2 Notes as of the immediately preceding Payment Date after giving effect to all payments of principal of the Class A-2 Notes on such immediately preceding Payment Date and (ii) the Class A-2 Overdue Interest, if any.

"Class A-2 Note Interest Rate" shall mean 4.57% per annum.

"Class A-2 Notes" shall mean the Railcar Notes, designated as Class A-2 Railcar Notes, issued in accordance with the provisions of this Indenture.

"Class A-2 Overdue Interest" shall mean, with respect to any Payment Date, the sum of (a) the positive difference, if any, between (i) the amount of Class A-2 Note Interest due on the immediately preceding Payment Date and (ii) the amount of Class A-2 Note Interest actually paid to Holders (from Available Funds, without giving effect to any draws under the Class A Note Policy) on such immediately preceding Payment Date, plus (b) (to the extent permitted by law) interest on any such shortfall at the Overdue Rate from and including the immediately preceding Payment Date through the day immediately preceding the Payment Date of such calculation.

"Class A-3 Holders" shall mean the holders of the Class A-3 Notes.

"Class A-3 Initial Purchaser" shall mean BMO Nesbitt Burns Inc.

"Class A-3 Note Interest" shall mean (a) with respect to the initial Payment Date, the product of (i) 1/360 of the Class A-3 Note Interest Rate times (ii) the actual number of days from and including the Closing Date through the day immediately preceding the initial Payment Date times (iii) the Note Principal Balance of the Class A-3 Notes as of the Closing Date, and (b) with respect to any subsequent Payment Date, the sum of (i) the product of (x) 1/12 of the Class A-3 Note Interest Rate times (y) the Note Principal Balance of the Class A-3 Notes as of the immediately preceding Payment Date after giving effect to all payments of principal of the Class A-3 Notes on such immediately preceding Payment Date and (ii) the Class A-3 Overdue Interest, if any.

"Class A-3 Note Interest Rate" shall mean 5.13% per annum.

"Class A-3 Notes" shall mean the Railcar Notes, designated as Class A-3 Railcar Notes, issued in accordance with the provisions of this Indenture.

"Class A-3 Overdue Interest" shall mean, with respect to any Payment Date, the sum of (a) the positive difference, if any, between (i) the amount of Class A-3 Note Interest due on the immediately preceding Payment Date and (ii) the amount of Class A-3 Note Interest actually paid to Holders (from Available Funds, without giving effect to any draws under the Class A Note Policy) on such immediately preceding Payment Date, plus (b) (to the extent permitted by law) interest on any such shortfall at the Overdue Rate from and including the immediately preceding Payment Date through the day immediately preceding the Payment Date of such calculation.

"Class A-3 Purchase Agreement" shall mean that certain purchase agreement, dated February 9, 2004, by and among the Issuers, The Andersons and the Class A-3 Initial Purchaser, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Class B Holders" shall mean the holders of the Class B Notes.

"Class B Initial Purchaser" shall mean CapStone Investments.

"Class B Note Interest" shall mean (a) with respect to the initial Payment Date, the product of (i) 1/360 of the Class B Note Interest Rate times (ii) the actual number of days from and including the Closing Date through the day immediately preceding the initial Payment Date times (iii) the Note Principal Balance of the Class B Notes as of the Closing Date, and (b) with respect to any subsequent Payment Date, the sum of (i) the product of (x) 1/12 of the Class B Note Interest Rate times (y) the Note Principal Balance of the Class B Notes as of the immediately preceding Payment Date after giving effect to all payments of principal of the Class B Notes on such immediately preceding Payment Date and (ii) the Class B Overdue Interest, if any.

"Class B Note Interest Rate" shall mean 14.00% per annum.

"Class B Notes" shall mean the Railcar Notes, designated as Class B Railcar Notes, issued in accordance with the provisions of this Indenture.

"Class B Overdue Interest" shall mean, with respect to any Payment Date, the sum of (a) the positive difference, if any, between (i) the amount of Class B Note Interest due on the immediately preceding Payment Date and (ii) the amount of Class B Note Interest actually paid to Holders (from Available Funds) on such immediately preceding Payment Date, plus (b) (to the extent permitted by law) interest on any such shortfall at the Overdue Rate from and including the immediately preceding Payment Date through the day immediately preceding the Payment Date of such calculation.

"Class B Purchase Agreement" shall mean that certain purchase agreement, dated February 9, 2004, by and among the Issuers, The Andersons and the Class B Initial Purchaser, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Clean-up Call" shall mean a redemption of the Notes in accordance with Section 14.01(b).

"Closing Date" shall mean February 12, 2004.

"Collateral" shall mean the property and rights Granted to the Indenture Trustee pursuant to the Granting Clause of this Indenture for the benefit of the Holders and the Class A Note Insurer.

"Collection Accounts" shall mean, individually or collectively, as the context may require, the NARCAT Collection Account and the CARCAT Collection Account.

"Collection Period" shall mean, with respect to any Payment Date, the period beginning on the first day of the calendar month immediately preceding such Payment Date and ending on the last day of such calendar month (each such calendar month and portion thereof being referred to as the "related" Collection Period with respect to a Payment Date); provided, that the initial Collection Period shall begin on the Closing Date and shall end on February 29, 2004.

"Collections" shall mean, with respect to any Collection Period: (a) payments received under the Leases (including without limitation, Rents) other than (i) any prepayments with respect to future Collection Periods and (ii) in the case of any Lease conveyed by the Manager to an Issuer pursuant to a substitution of a Lease in accordance with Section 4.04 of the Management Agreement, payments in respect of periods occurring prior to such conveyance; (b) Insurance Proceeds, whether received under the Leases or otherwise (but without duplication of amounts received in clause (a)), to the extent such amounts are not used to repair or refurbish the related Railcar for the purpose of making it available for sale or lease; (c) Railcar Release Proceeds; (d) Purchase Proceeds; (e) Liquidation Proceeds; and (f) payments of Railroad Mileage Credits attributable to the Railcars.

"Concentration Limits" shall have the meaning set forth in Section 11.15(c).

"Controlling Party" shall mean (i) so long as any Class A Notes shall be Outstanding and no Class A Note Insurer Default shall have occurred and be continuing, the Class A Note Insurer, and (ii) if no Class A Notes shall be Outstanding or a Class A Note Insurer Default shall have occurred and is continuing, the Majority Holders.

"Corporate Trust Office" shall mean the principal corporate trust office of the Indenture Trustee located at MAC N9311-161, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services - Asset-Backed Administration, or at such other address as the Indenture Trustee may designate from time to time by notice to the Holders, the Class A Note Insurer, the Servicer, the Manager and the Issuers, or the principal corporate trust office of any successor Indenture Trustee.

"Coverage Ratio" shall mean as of any Accounting Date, commencing with the Accounting Date occurring on July 31, 2004, the ratio of:

(a) the sum of all Collections received during the Collection Period ending on such Accounting Date and the immediately preceding five Collection Periods minus the sum of (i) all payments to be made on the Payment Date related to such Accounting Date and the immediately preceding five Payment Dates pursuant to Section 12.02(d)(vi) and Section 6.08(a)(vi), (ii) all payments of Operating Expense Deposit Amounts to be made on the Payment Date related to such Accounting Date and the immediately preceding five Payment Dates and (iii) the aggregate Manager Fee and Backup Manager Fee payable on the Payment Date related to such Accounting Date and the immediately preceding five Payment Dates; to

(b) the aggregate amount of the Trustee Fee, the Servicer Fee, the Backup Servicer Fee, the Premium payable to the Class A Note Insurer, the Class A Note Interest, the Class B Note Interest, the Basic Principal Payments and that portion of the Supplemental Principal Payment described in clauses (a)(i) and (ii) of the definition thereof, in each case payable on the Payment Date related to such Accounting Date and the immediately preceding five Payment Dates.

"Default" shall mean any occurrence or circumstance which with notice or the lapse of time or both would become an Event of Default.

"Defaulted Lease" shall have the meaning set forth in the Servicing Agreement.

"Deferred Supplemental Principal Payment" shall mean, with respect to any Payment Date, the positive difference, if any, between (a) the Supplemental Principal Payment payable on the prior Payment Date and (b) the aggregate amount of the Supplemental Principal Payment actually paid from Available Funds (without giving effect to any draws under the Class A Note Policy) to Holders on the prior Payment Date.

"Definitive Notes" shall mean certificated definitive, fully registered Notes.

"Determination Date" shall mean the tenth day of each calendar month (or if such day is not a Business Day, the next succeeding Business Day) commencing March 10, 2004.

"Draw Date" means, with respect to any Payment Date, the third Business Day (as defined in the Class A Note Policy) preceding such Payment Date.

"DTC" shall mean The Depository Trust Company, a New York corporation and its successors and assigns.

"Eligible Investments" shall mean any and all of the following instruments:

(a) direct obligations of, and obligations fully guaranteed by, the United States of America or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America;

(b) (i) demand and time deposits in, certificates of deposit of, banker's acceptances issued by or federal funds sold by any depository institution or trust company (including the Indenture Trustee or its agent acting in their respective commercial capacities) incorporated under the laws of the United States of America or any State thereof, having capital and surplus (as shown by its latest annual report of condition) aggregating at least \$100,000,000, and subject to supervision and examination by federal and/or state authorities, so long as at the time of such investment or contractual commitment providing for such investment, such depository institution or trust company has a short term unsecured debt rating of at least "A1" by S&P and at least "P1" by Moody's and provided that each such investment has an original maturity of no more than 365 days, and (ii) any other demand or time deposit or deposit which is fully insured by the Federal Deposit Insurance Corporation;

(c) repurchase obligations with a term not to exceed 10 days with respect to any security described in clause (a) above and entered into with a depository institution or trust company (acting as a principal), having capital and surplus (as shown by its latest annual report of condition) aggregating at least \$100,000,000, and having a short-term unsecured debt rating of "A1" or higher by S&P, and "P1" or higher by Moody's; provided, however, that collateral transferred pursuant to such repurchase obligation must be of the type described in clause (a) above and must (i) be valued weekly at current market price plus accrued interest, (ii) pursuant to such valuation, equal, at all times, 105% of the cash transferred by the Indenture Trustee in exchange for such collateral and (iii) be delivered to the Indenture Trustee or, if the Indenture Trustee is supplying the collateral, an agent for the Indenture Trustee, in such a manner as to accomplish perfection of a security interest in the collateral by possession of certificated securities;

(d) commercial paper having an original maturity of less than 365 days and issued by an institution having a short term unsecured debt rating in the highest available rating category of each of the Rating Agencies at the time of such investment;

(e) a guaranteed investment contract approved by each of the Rating Agencies and the Controlling Party and issued by an insurance company or other corporation having a long term unsecured debt rating in the highest available rating category of each of the Rating Agencies at the time of such investment;

(f) money market funds having ratings in one of the two highest available rating categories of S&P and the highest available rating category of Moody's at the time of such investment which invest only in other Eligible Investments; any such money market funds which provide for demand withdrawals being conclusively deemed to satisfy any maturity requirement for Eligible Investments set forth in this Indenture; and

(g) any other investment approved by the Controlling Party and each Rating Agency.

Each of the Eligible Investments may be purchased by the Indenture Trustee or through an Affiliate of the Indenture Trustee. All Eligible Investments shall be made in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer.

"Eligible Lease" shall mean, as of any date of determination, a Lease that satisfies each of the representations and warranties with respect to Leases contained in Section 4.03 of the Management Agreement as of the immediately preceding Accounting Date.

"Eligible Railcar" shall mean, as of any date of determination, a Railcar that satisfies the representations and warranties with respect to Railcars contained in Section 4.03 of the Management Agreement as of the immediately preceding Accounting Date.

"Environmental Claim" shall mean any claim alleging any damage to the environment or violation of any Environmental Law.

"Environmental Law" shall mean any federal, state, provincial, local, or foreign statute, law, regulation, ordinance, rule, judgment, order, decree, permit, concession, grant, franchise, license, agreement or governmental restriction relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to any of the foregoing related to Hazardous Commodities or wastes, air emissions and discharges to waste or public systems.

"ERISA" shall mean The Employee Retirement Income Security Act of 1974, as amended.

"Event of Default" shall have the meaning set forth in Section 6.01.

"Event of Loss" shall mean, with respect to any Railcar, the occurrence of any of the following events with respect to such Railcar: (a) loss of such Railcar or the loss of use of such Railcar due to destruction, damage beyond repair, or rendition of such Railcar permanently unfit for normal use for any reason whatsoever; (b) any damage to such Railcar which results in the receipt of Insurance Proceeds with respect to such Railcar on the basis of an actual, constructive

or compromised total loss; (c) the theft or disappearance of such Railcar which results in the loss of possession of such Railcar for a period in excess of 60 days; (d) title to such Railcar shall be confiscated, requisitioned or otherwise taken by a Governmental Authority, under the power of eminent domain or otherwise; (e) the requisition of use by any Governmental Authority (other than by a United States Governmental Authority, a Canadian Governmental Authority or a Mexican Governmental Authority, in each case, whose long term unsecured foreign currency debt obligations are rated AAA or above by S&P and Aaa by Moody's) for a period of greater than 90 days, or by a United States Governmental Authority, a Canadian Governmental Authority or a Mexican Governmental Authority, in each case, whose long term foreign currency debt obligations are rated AAA or above by S&P and Aaa by Moody's, for a period in excess of 180 days or (f) during the term of any Lease, such other events with respect to such Railcar that would give rise to the Lessee's obligation to make a "loss value" payment (or equivalent payment) with respect to such Railcar.

"Excepted Leases" shall mean Leases which have terms of less than one year, including, but not limited to, month-to-month Leases.

"Existing Leases" shall mean, collectively, the Initial Existing Leases and the Prefunded Existing Leases.

"Final Payment Date" shall mean, with respect to any Note, the date on which the final principal payment on such Note is to be made as herein provided, whether on the Stated Legal Maturity Date, the Redemption Date or any other date.

"Financial Statements" shall mean, with respect to any Person, consolidated balance sheets, statements of income, retained earnings and cash flows of such Person.

"Fitch" shall mean Fitch, Inc. (formerly known as Fitch Investors Service, L.P.).

"FRA" shall have the meaning set forth in the Management Agreement.

"Full Service Lease" shall mean a Lease with respect to which the lessor maintains and services the Railcars subject to such Lease, pays ad valorem property taxes and provides several other ancillary services, including auditing of Railroad Mileage Credits due from railroad companies.

"Funds Transfer Agreement" shall mean that certain Source of Funds Direction Agreement, dated as of February 12, 2004, by and among NARCAT, CARCAT, the U.S. Seller, the Canadian Seller and Holdco, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such accounting profession, in effect from time to time.

"Global Notes" shall mean the Rule 144A Global Notes, beneficial ownership and transfers of which shall be made through book entries by the Security Depository.

"GNRR Agreement" shall mean that certain Car Mark Agreement, dated June 21, 2001, by and between Railcar, Ltd., and Georgia Northeastern Railroad Company, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Governmental Authority" shall mean any federal, state, provincial, municipal or other governmental or quasi-governmental department, commission, board, bureau, agency, authority or instrumentality, or any court or administrative bureau, in each case whether of the United States, any of its possessions or territories, or of any foreign nation or any jurisdiction thereof, or, with respect to any Person, any arbitration, tribunal or non-governmental authority to whose jurisdiction such Person has consented (including, without limitation, the United States Department of Transportation, the FRA and the STB).

"Grant" shall mean to grant, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Collateral includes all rights, powers and options (but none of the obligations) of the Granting party, including the immediate and continuing right to claim, collect, receive and receipt for the Lease Receivables and other payments with respect to the Leases, the Railcars and the other Railcar Assets, and all other money or payments due with respect to the Collateral, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting party or otherwise, and generally to do and receive anything which the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Gross Rent" shall mean, with respect to each Collection Period, the Rents due during such Collection Period.

"Hazardous Commodities" shall mean the following commodities:

- (a) any substance that is listed as a "hazardous waste" pursuant to 42 U.S.C. Section 6901 et seq. or exhibits one or more of the characteristics of "hazardous waste" described in regulations promulgated pursuant to 42 U.S.C. Section 6901 et seq.;
- (b) any substance that is a "hazardous substance" under the definition set forth in 42 U.S.C. Section 9601(14);
- (c) any substance contained on a list of "extremely hazardous substances" pursuant to 42 U.S.C. Section 11002(a)(2);
- (d) any petroleum product (other than solid plastic products);
- (e) any radioactive material;

- (f) asbestos;
- (g) polychlorinated biphenyls;
- (h) any substance that is a "pesticide" under the definition set forth in 7 U.S.C. Section 136(u);
- (i) any chemical substance or living organism regulated under 21 U.S.C. Chapter 9 (the Federal Food, Drug and Cosmetic Act) which is capable of having an acute or chronic toxic effect upon any species of living organism;
- (j) any Municipal Waste referred to in, or any K grade or W grade commodities listed in Appendix A to, Car Service Rule 14;
- (k) any other substance, product, liquid, waste, pollutant, chemical, contaminant, insecticide, pesticide, gaseous or solid matter, organic or inorganic matter, fuel, micro-organism, ray, odor, radiation, energy, vector, plasma, constituent or material which (a) is or becomes listed, regulated or addressed under any Environmental Law, or (b) is, or is deemed to be, alone or in any combination, hazardous, hazardous waste, toxic, a pollutant, a deleterious substance, a contaminant or a source of pollution or contamination under any Environmental Law applicable to Railcars operating in Canada; and
- (l) any other commodity designated by the Indenture Trustee or the Class A Note Insurer as a Hazardous Commodity based upon the Indenture Trustee's or the Class A Note Insurer's, as applicable, reasonable judgment and belief, consistent with standard or prudent railroad rolling stock industry practice, that such commodity is a contaminating or hazardous commodity.

For the avoidance of doubt, it is understood and agreed that the designation of (or the failure to designate) any commodity as a Hazardous Commodity shall in no event be deemed a representation, warranty or advice by the Indenture Trustee or the Class A Note Insurer as to the danger (or safety) of such commodity.

"Holdco" shall mean TOP CAT Holding Co., a Delaware corporation, and its permitted successors and assigns.

"Holder" shall mean the Person in whose name a Note is registered in the Note Register.

"Incremental Class A Interest" shall mean, if and to the extent that interest accrues on the Note Principal Balance of any Class A Note at the Overdue Rate, the excess of such interest over the amount of interest accruing at the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate or the Class A-3 Note Interest Rate, as applicable.

"Indenture" or "this Indenture" shall mean this instrument as originally executed and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

"Indenture Trustee" shall mean Wells Fargo Bank, National Association, a national banking association, until a successor Person shall have become the Indenture Trustee pursuant to the applicable provisions of this Indenture, and thereafter "Indenture Trustee" shall mean such successor Person.

"Independent Appraiser" shall mean any independent railroad rolling stock appraisal expert of recognized standing selected by the Manager and approved by the Controlling Party; provided that the Controlling Party may select any railroad rolling stock appraisal expert (acceptable to the Class A Note Insurer so long as no Class A Note Insurer Default has occurred and is continuing and the Class A Notes are still Outstanding) without the approval of the Manager or any Issuer during the continuation of an Event of Default.

"Initial Appraised Value" shall mean, (a) in respect of any Initial Railcar, an amount determined by reference to the schedule attached hereto as Schedule III or (b) in respect of any Substitute Railcar, an amount determined by the Manager, in its reasonable judgment, which is equal to one half of the sum of the values which, had such Substitute Railcar been covered by the Appraisals, would have been assigned by each Appraiser to such Substitute Railcar as of the Appraisal Date (based upon the values of railcars and locomotives having similar characteristics (such as type of car, year built, refurbishment, possible uses of the car) that were actually included in the Appraisals) using a "comparable sales approach" to determining the fair market value of such Substitute Railcar if such Substitute Railcar were sold in arms-length open market transactions without taking into consideration any value derived from the Existing Leases (corresponding to the "Traditional Collateral Valuation" in the Appraisal issued by RailSolutions, Inc., and the "Market Approach/Current Fair Market Value" in the Appraisal issued by D. W. Beary & Associates, Inc.); provided, however, that in the event that, at any one time, ten or more Substitute Railcars shall be required to be substituted as provided in Section 8.01(b), then the determination of the Manager referenced above shall, unless otherwise agreed by the Controlling Party, be supported by new appraisals prepared by no fewer than two Independent Appraisers.

"Initial CARCAT Cash Collateral Deposit" shall mean \$1,150,000.

"Initial Existing Leases" shall mean, any contract, agreement or other arrangement between the owner of an Initial Railcar and any third party providing for the lease, hire, operation or other use of such Initial Railcar by or through such third party, including a Master Lease Agreement (each schedule to a Master Lease Agreement, together with the terms of such Master Lease Agreement, constituting a separate and independent lease), lease, operating agreement, use agreement, a car hire contract or Per Diem Lease sold to an Issuer on the Closing Date, including any riders, supplements and annexes thereto, as the same may be amended, restated, supplemented or otherwise modified in accordance with the terms hereof.

"Initial Manager" shall have the meaning set forth in the Management Agreement.

"Initial NARCAT Cash Collateral Deposit" shall mean \$1,050,000.

"Initial Purchaser" or "Initial Purchasers" shall mean, individually or collectively, as the context may require, the Class A-1/A-2 Initial Purchaser, the Class A-3 Initial Purchaser and the Class B Initial Purchaser.

"Initial Railcar Assets" shall mean any Railcar Assets as they apply to any Initial Railcar or Initial Existing Lease.

"Initial Railcars" shall mean those Railcars transferred by a Seller to an Issuer pursuant to the applicable Sale Agreement on the Closing Date and identified on the Lease and Railcar Schedule as of the Closing Date.

"Insurance Agreement" shall have the meaning set forth in the Recitals.

"Insurance Policy" shall mean liability, property, or casualty insurance policy or any other type of insurance policy as the context may require.

"Insurance Proceeds" shall mean any and all amounts related to the Railcars, the Railcar Assets, the Leases or other Collateral, to the extent received by the Servicer or the Indenture Trustee, paid (a) under an Insurance Policy, (b) by or on behalf of a Lessee or railroad, (c) by the Manager pursuant to its obligations with respect to insurance under the Management Agreement, or (d) from any other source with respect to casualty or other losses with respect to the Railcars (whether or not constituting an Event of Loss), in each case with respect to any casualty or other destruction resulting in economic loss to a Railcar.

"Insured Payment" shall have the meaning set forth in the Class A Note Policy.

"Insurers" shall have the meaning set forth in Section 11.14(a).

"Interchange Rules" shall have the meaning set forth in the Sale Agreements.

"Intercompany Advance Agreement" shall mean the Intercompany Advance Agreement, dated as of February 12, 2004, by and among The Andersons, the Canadian Seller, the Mexican Seller, CARCAT and NARCAT Mexico, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Investment Letter" shall mean, with respect to the Class A-3 Notes, a letter substantially in the form attached hereto as Exhibit A-1 and, with respect to the Class B Notes, a letter substantially in the form attached hereto as Exhibit A-2.

"Issuer Order" or "Issuer Request" shall mean a written order or request signed by one of the managers or by the Chairman of the Board, the President, a Vice President, the Treasurer, an Assistant Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of each Issuer and delivered to the Indenture Trustee.

"Issuer Retained Interest" shall mean any payment to the Issuers in accordance with Section 12.02(d)(xxiii).

"Issuers" shall mean NARCAT, CARCAT and NARCAT Mexico, until one or more successor Persons shall have become an Issuer pursuant to the applicable provisions of this Indenture, and thereafter the Issuers shall include such successor Person.

"Law" shall mean any law, statute, ordinance, rule, regulation, judgment, injunction, order, decree or code adopted, enacted or promulgated by any Governmental Authority or the requirements of the AAR, any self-regulatory agency or any entity of a nature similar to that of any of the foregoing.

"Lease" shall mean any Existing Lease or Subsequent Lease and "Leases" shall mean, collectively, all Existing Leases and Subsequent Leases.

"Lease Exception Report" shall have the meaning set forth in Section 7.13(b).

"Lease File" shall have the meaning set forth in the Servicing Agreement.

"Lease and Railcar Schedule" shall mean the listing of Leases and Railcars being pledged to the Indenture Trustee on the Closing Date attached hereto as Schedule I, as the same may be adjusted to reflect (a) the acquisition by NARCAT of the Prefunded Railcars on the Prefunded Railcar Acquisition Date, (b) any Subsequent Lease added pursuant to Section 11.15 and Section 2.03(c) of the Management Agreement or (c) the release of any Railcar from the Lien of this Indenture pursuant to Section 8.02. The Lease and Railcar Schedule as of the Closing Date shall be a comprehensive list consisting of all Leases and Railcars listed on the "Lease and Railcar Schedules" identified in the Sale Agreements.

"Lease Receivables" shall mean, with respect to any Lease, the right to receive (a) the Rents and other amounts payable to the lessor under such Lease and (b) any Railroad Mileage Credits relating to such Lease including, with respect to (a) and (b) above, the right to enforce, to declare a default under, or to terminate the Lease insofar as it gives rise to such Lease Receivable, and to repossess the related Railcar, in the event such Lease becomes a Defaulted Lease.

"Leased Railcars" shall mean, with respect to any Accounting Date, Railcars that are subject to a Lease.

"Lessee" shall mean the lessee under each related Lease, or a successor or assignee of such lessee, but not including a sublessee.

"Liability Insurance" shall have the meaning set forth in Section 11.14(a)(ii).

"Liens" shall mean any and all liens, encumbrances, mortgages, hypothecs, charges, claims, restrictions, pledges, security interests and impositions of any nature or kind (including

any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest).

"Liquidation Proceeds" shall mean (a) any and all amounts (other than Insurance Proceeds) received by the Servicer or any Issuer in connection with the complete or partial liquidation of a Defaulted Lease, whether through sale of such Lease and/or re-leasing or sale of the related Railcar or otherwise, and (b) any proceeds of any Railcar which has not been released from the Lien of this Indenture pursuant to Section 8.02 (whether such proceeds arise from the re-lease or sale of such Railcar).

"Lockbox Account" shall have the meaning set forth in the Servicing Agreement.

"Lockbox Agreements" shall have the meaning set forth in the Servicing Agreement.

"Lockbox Bank" shall have the meaning set forth in the Servicing Agreement.

"Maintenance Expense Reimbursement Request" shall have the meaning set forth in Section 2.06(b) of the Management Agreement.

"Majority Holders" shall mean, at any time, (a) if any Class A Notes remain Outstanding, the Holders of Class A Notes representing a majority in aggregate unpaid principal amount of all Class A Notes then Outstanding and (b) if no Class A Notes remain Outstanding, the Holders of Class B Notes representing a majority in aggregate unpaid principal amount of all Class B Notes then Outstanding.

"Management Agreement" shall mean the Management Agreement, dated as of February 12, 2004, by and among the Manager, the Indenture Trustee, the Backup Manager, NARCAT, CARCAT and NARCAT MEXICO, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Manager" shall mean The Andersons, and its permitted successors and assigns.

"Manager Event of Termination" shall have the meaning set forth in the Management Agreement.

"Manager Fee" shall have the meaning set forth in the Management Agreement.

"Master Lease Agreement" shall mean an agreement between a proposed lessor of a Railcar and a proposed lessee of a Railcar setting forth the general terms and provisions governing any such lease, but which agreement does not itself constitute a lease of specific Railcars.

"Material Adverse Effect" means, with respect to any entity or group of entities or assets or liabilities (a) a material adverse effect on or change in, or any development that, insofar as reasonably can be foreseen, is reasonably likely to have a material adverse effect on or change in the business, operations, assets, liabilities, prospects, financial condition or results of operations

of the applicable matter taken as a whole, other than any change, circumstance or effect (i) relating to the economy or securities markets in general, (ii) relating generally to the industries in which such entity or group of entities or assets or liabilities operates and not specifically relating to it, or (iii) resulting from the execution or performance of this Indenture or the announcement thereof, (b) a material adverse effect on the ability of such entity or group of entities to perform any of their respective obligations under this Indenture or any other Transaction Document, (c) a material adverse effect on the interests or rights of or benefits or remedies available to the Indenture Trustee or any other Secured Party (and their respective successors and assigns) under this Indenture or any other Transaction Document, (d) an adverse effect on the validity or enforceability of this Indenture or any other Transaction Document or (e) an adverse effect on the value, utility or useful life of any Railcar or other Collateral which exceeds, individually or in the aggregate, 10% of the aggregate Stated Value of all of the Railcars.

"Maximum Class A Note Amount" shall mean, as of any Payment Date, the original Note Principal Balance of the Class A Notes, less the sum of (a) all scheduled Basic Principal Payments in respect of the Class A Notes (including the Basic Principal Payment for such Payment Date), and (b) any Supplemental Principal Payments actually made in respect of the Class A Notes prior to such Payment Date to the extent such Supplemental Principal Payments related to the sale of, or the occurrence of any Event of Loss with respect to any Railcar.

"Mexican Article 9 Assets" shall mean all Article 9 Assets which the Mexican Seller purports to transfer to NARCAT MEXICO pursuant to the NARCAT MEXICO Sale Agreement.

"Mexican Railcars" shall mean Railcars which have been permanently imported into Mexico.

"Mexican Seller" shall mean Cap Acquire Mexico, S. de R.L. de C.V., a Mexican limited liability company with variable capital, and its permitted successors and assigns.

"Mexican Withholding Taxes" shall have the meaning set forth in Section 3.12(a).

"Minimum Long-Term Rating" shall have the meaning set forth in Section 11.15(c).

"Modified Lease" shall have the meaning set forth in the Management Agreement.

"Monthly Average Lease Rate" shall mean, for any Accounting Date, (a) the Gross Rent for the related Collection Period, minus (b) the sum of (i) the Operating Expense Deposit Amount related to Leased Railcars, plus (ii) the Manager Fee accrued for the related Collection Period with respect to Leased Railcars, plus (iii) the amount of Capped Manager Reimbursement, if any, to be paid on the related Payment Date, divided by (c) the number of Leased Railcars.

"Monthly Manager Report" shall have the meaning set forth in the Management Agreement.

"Monthly Servicer Report" shall have the meaning set forth in the Servicing Agreement.

"Monthly Utilization Rate" shall mean, for any Accounting Date, the percentage determined by dividing:

(a) the total number of Eligible Railcars subject to a Lease as of such Accounting Date, other than any such Eligible Railcars which are subject to a Lease as to which Rent shall be overdue by more than 90 days, by

(b) the total number of Eligible Railcars as of such Accounting Date.

"Moody's" shall mean Moody's Investors Service, Inc., and its successors and assigns.

"NARCAT" shall mean NARCAT LLC, a Delaware limited liability company, and its permitted successors and assigns.

"NARCAT Cash Collateral Account" shall mean the segregated trust account established and maintained in the name of NARCAT and NARCAT Mexico, and pledged to the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer, established in accordance with Section 12.03, which account shall constitute part of the Collateral.

"NARCAT Collection Account" shall mean the segregated trust account established and maintained in the name of NARCAT and NARCAT Mexico, for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer, established in accordance with Section 12.02, which account shall constitute part of the Collateral.

"NARCAT Entities" shall mean NARCAT and NARCAT Mexico, collectively.

"NARCAT Mexico" shall mean NARCAT Mexico, S. de R.L. de C.V., a Mexican limited liability company with variable capital, and its permitted successors and assigns.

"NARCAT Mexico Sale Agreement" shall mean the NARCAT Mexico Sale Agreement, dated as of February 12, 2004, between the Mexican Seller and NARCAT Mexico, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"NARCAT OER Subaccount" shall have the meaning set forth in Section 12.04(a).

"NARCAT OER Subaccount Required Balance" shall have the meaning set forth in Section 12.04(a).

"NARCAT Redemption Subaccount" shall have the meaning set forth in Section 12.07(a).

"NARCAT Policy Payment Subaccount" shall have the meaning set forth in Section 12.05(a).

"NARCAT Sale Agreement" shall mean the NARCAT Sale Agreement, dated as of February 12, 2004, between the U.S. Seller and NARCAT, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Non-Mexican Collateral" shall mean all Collateral with respect to which first priority security interests may be created under the laws of the United States or any state thereof, or Canada or any province thereof.

"Note" or "Notes" shall mean, individually or collectively, the Class A Notes and the Class B Notes.

"Note Depository Agreement" shall mean the agreement dated February 12, 2004, among the Issuers, the Indenture Trustee and DTC, as the initial Security Depository, relating to the Book-Entry Notes.

"Note Owner" shall mean, with respect to a Book-Entry Note, the Person who is the beneficial owner of such Book-Entry Note, as reflected on the books of the Security Depository or on the books of a Person maintaining an account with such Security Depository (directly as a Security Depository Participant or as an indirect participant, in each case in accordance with the rules of such Security Depository) or the Person who is the beneficial owner of such Book-Entry Note, as reflected in the Note Register in accordance with Section 3.05.

"Note Principal Balance" shall mean, with respect to a Note (or, if the context so requires, with respect to all Notes Outstanding or all Notes of any Class Outstanding), as of any date of determination, the original principal balance of such Note (or Notes or Class of Notes, as applicable), as reduced by all amounts previously paid on such Note (or Notes or Class of Notes, as applicable) in reduction of the principal balance of such Note (or Notes or Class of Notes, as applicable) which have not been returned to any Issuer or to any other Person for any reason.

"Note Register" and "Note Registrar" shall have the respective meanings specified in Section 3.05.

"Offering Memorandum" shall mean (i) with respect to the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, the offering memorandum, dated February 9, 2004, pursuant to which the Class A-1 Notes, the Class A-2 Notes and the Class B Notes are offered and (ii) with respect to the Class A-3 Notes, the Canadian offering memorandum, dated February 9, 2004, pursuant to which the Class A-3 Notes are offered.

"Officer's Certificate" shall mean, with respect to any company, a certificate signed by a manager of such company or by the Chairman of the Board, the President, a Vice President, the Treasurer, the Controller, an Assistant Controller, the Secretary or an Assistant Secretary of such company, and delivered to the Indenture Trustee and which certificate shall comply with the applicable requirements of Section 15.12. Unless otherwise specified, any reference in this Indenture to an Officer's Certificate shall be to an Officer's Certificate executed by all Issuers.

"Operating Agreement" shall have the meaning set forth in the Sale Agreements.

"Operating Expense" means any actual out-of-pocket expense paid to a third party to maintain the Railcars, to pay taxes and insurance with respect to the Railcars (excluding, in the case of CARCAT, reimbursement to NARCAT for payments made in respect of the Class A Note Policy), and other amounts specified in the Management Agreement.

"Operating Expense Deposit Amount" shall mean, with respect to each Payment Date, the sum of (a) \$75 multiplied by the number of Railcars subject to a Full Service Lease or Modified Lease and operating primarily in the United States as of the related Accounting Date, (b) \$90 multiplied by the number of Railcars subject to a Full Service Lease or Modified Lease and operating primarily in Canada as of the related Accounting Date, (c) \$90 multiplied by the number of Railcars subject to a Full Service Lease or Modified Lease and operating primarily in Mexico as of the related Accounting Date, (d) \$0 multiplied by the number of Railcars subject to a Lease which is a Triple Net Lease as of the related Accounting Date and (e) \$30 multiplied by the number of Railcars not subject to a Lease as of the related Accounting Date, regardless of where such Railcar is primarily operated.

"Operating Expense Reserve Account" shall mean the segregated trust account established for the benefit of the Holders and the Class A Note Insurer and established in accordance with Section 12.04, which account shall constitute part of the Collateral.

"Opinion of Counsel" shall mean a written opinion of counsel who may, except as otherwise expressly provided in this Indenture, be counsel (which may be internal counsel) for one or more of the Issuers and who shall be reasonably satisfactory to the Indenture Trustee and the Class A Note Insurer and which opinion shall comply with the applicable requirements of Section 15.12.

"Optional Redemption" shall mean a redemption of the Notes in accordance with Section 14.01(a).

"Outstanding" shall mean, with respect to Notes, as of any date of determination, all Notes theretofore authenticated and delivered under this Indenture except:

(a) Notes theretofore cancelled by the Note Registrar or delivered to the Note Registrar for cancellation;

(b) Notes for whose payment money in the necessary amount has been theretofore irrevocably deposited with the Indenture Trustee or any Paying Agent (other than any Issuer) in trust for the Holders of such Notes pursuant to Article V (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor, satisfactory to the Indenture Trustee, has been made);

(c) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a bona fide purchaser; and

(d) Notes alleged to have been destroyed, lost or stolen for which replacement Notes have been issued as provided for in Section 3.07;

provided, however, that for purposes of determining whether the Holders of the requisite principal amount of the Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by any Issuer or any other obligor upon the Notes or any Affiliate of any Issuer or such other obligor shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Notes which the Indenture Trustee knows to be so owned shall be so disregarded. Notes so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right to exercise the Holders' rights to act with respect to such Notes and that the pledgee is not an Issuer or any other obligor upon the Notes or any Affiliate of any Issuer or such other obligor.

"Overdue Basic Principal Payments" shall mean, with respect to any Payment Date, the positive difference, if any, between (a) the Basic Principal Payment due on the immediately preceding Payment Date and (b) the aggregate amount of the Basic Principal Payment actually paid from Available Funds (without giving effect to any draws under the Class A Note Policy) to Holders on such immediately preceding Payment Date.

"Overdue Rate" shall mean, with respect to the Class A Notes, the Prime Rate, plus 2% per annum, and, with respect to the Class B Notes, the Class B Note Interest Rate.

"Overdue Scheduled Class B Payments" shall mean, with respect to any Payment Date, the positive difference, if any, between (a) the Scheduled Class B Payment due on the immediately preceding Payment Date and (b) the aggregate of Scheduled Class B Payment actually paid from Available Funds to Holders on such immediately preceding Payment Date.

"Ownership Interest" shall mean, with respect to any Note, any ownership interest in such Note, including any interest in such Note as the Holder thereof and any other interest therein, whether direct or indirect, legal or beneficial.

"Paying Agent" shall mean the Indenture Trustee or any other Person that meets the eligibility standards for the Indenture Trustee specified in Section 7.08 and is authorized by the Issuers to pay the principal of, or interest on, any Notes on behalf of the Issuers.

"Payment Date" shall mean the 15th day of each calendar month (or if such day is not a Business Day, the next succeeding Business Day), commencing March 15, 2004.

"Per Diem Lease" shall mean a Lease in which the Lessee pays an amount based on the miles traveled and the use of the Railcar, although the Lessee may have free use of the Railcar while the Railcar is on a Lessee's railroad.

"Permitted Liens" shall mean (a) materialmens', mechanics', carriers', repairsmens', employees' or other similar Liens arising in the ordinary course of business, other than Liens for

amounts due and owing, that individually or in the aggregate do not detract from the value of the property subject thereto or affected thereby, (b) Liens for current Taxes, of any kind, not yet due and payable or that are being contested in good faith by appropriate proceeding for which adequate reserves have been established in accordance with GAAP, so long as enforcement thereof has been stayed and such proceedings do not involve any material risk of forfeiture, loss or sale of Railcars, (c) statutory Liens arising or incurred in the ordinary course of business by operation of Law for which payment is not yet due and payable or that are being contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP, and (d) any other Liens that are listed on Schedule II attached hereto.

"Person" shall mean any individual, corporation, partnership, association, joint-stock company, limited liability company, trust (including any beneficiary thereof), unincorporated organization or government or any agency or political subdivision thereof.

"Policy Claim Amount" shall mean, with respect to any Payment Date, the amount payable in accordance with the terms of the Class A Note Policy equal to the sum of (a) the amount, if any, by which Class A Note Interest (excluding any Incremental Class A Interest and Class A Overdue Interest) due and payable to Holders of the Class A Notes Outstanding on such Payment Date exceeds Available Funds remaining on deposit in the Collection Accounts after the payment of all amounts in clauses (i) through (x) of Section 12.02(d) or clauses (i) through (x) of Section 6.08, as applicable) and after giving effect to (i) any required transfers from the relevant Cash Collateral Account to pay such Class A Note Interest and (ii) any Class A Note Insurer Optional Deposit made with respect to such Payment Date, (b) if such Payment Date is also the Stated Legal Maturity Date, the remaining unpaid Note Principal Balance of the Class A Notes after taking into account all distributions of principal to be made with respect to the Notes (pursuant to clauses (xiii) and (xiv) of Section 12.02(d) or clause (xiii) of Section 6.08, as applicable) on such Payment Date and (c) any amounts previously distributed by or on behalf of an Issuer to a Holder of a Class A Note on such Class A Note that is recoverable and sought to be recovered as a voidable preference by a bankruptcy trustee pursuant to the U.S. Bankruptcy Code or the Bankruptcy and Insolvency Act (Canada), as amended from time to time, in accordance with a final, non-appealable order of a court having competent jurisdiction thereover.

"Policy Payment Account" shall mean the segregated trust account established by and maintained in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer, established in accordance with Section 12.05, which account shall constitute part of the Collateral.

"Predecessor Notes" shall have the meaning set forth in Section 3.03(c).

"Preference Claim" shall have the meaning set forth in Section 13.02(b).

"Preferred Lessee" shall have the meaning set forth in Section 11.14(b).

"Prefunded Amount" shall mean \$3,482,000.

"Prefunded Existing Lease" shall mean, any contract, agreement or other arrangement between the owner of a Prefunded Railcar and any third party providing for the lease, hire, operation or other use of such Prefunded Railcar by or through such third party, including a Master Lease Agreement (each schedule to a Master Lease Agreement, together with the terms of such Master Lease Agreement, constituting a separate and independent lease), lease, operating agreement, use agreement, a car hire contract or Per Diem Lease listed on the Prefunded Lease and Railcar Schedule and sold to NARCAT on the Prefunded Railcar Acquisition Date, including any riders, supplements and annexes thereto, as the same may be amended, restated, supplemented or otherwise modified in accordance with the terms hereof.

"Prefunded Lease and Railcar Schedule" shall have the meaning ascribed thereto in the NARCAT Sale Agreement.

"Prefunded Railcar" shall mean any Railcar listed on the Prefunded Lease and Railcar Schedule, which is to be acquired by NARCAT under the NARCAT Sale Agreement (and which the U.S. Seller has become obligated to acquire after the Closing Date, but prior to the Prefunded Account Expiration Date, pursuant to the Asset Purchase Agreement).

"Prefunded Railcar Acquisition Date" shall mean the date of the acquisition by NARCAT of the Prefunded Railcars and the Prefunded Existing Leases.

"Prefunded Railcar Assets" shall mean any Railcar Assets as they apply to any Prefunded Railcar.

"Prefunding Account" shall mean the segregated trust account maintained in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer and established in accordance with Section 12.06, which account shall constitute part of the Collateral.

"Prefunding Account Expiration Date" shall mean March 12, 2004.

"Premium" shall have the meaning ascribed thereto in the Premium Letter.

"Premium Letter" shall have the meaning set forth in the Recitals.

"Prime Rate" shall mean the corporate base rate, prime rate or base rate of interest, as applicable, pursuant to the Wall Street Journal or successor publication from time to time, changing when and as such rate changes, as reasonably determined by the Controlling Party.

"Proceeding" shall mean any suit in equity, action at law or other judicial or administrative proceeding.

"Projected Appraised Value Date" shall mean January 30, 2011, the date which is seven years from the Appraisal Date.

"Property Insurance" shall have the meaning set forth in Section 11.14(a)(i).

"Purchase" shall have the meaning set forth in the Management Agreement.

"Purchase Agreements" shall mean, collectively, the Class A-1/A-2 Purchase Agreement, the Class A-3 Purchase Agreement and the Class B Purchase Agreement.

"Purchase Price" shall have the meaning set forth in the Management Agreement.

"Purchase Proceeds" shall mean, with respect to any Railcar and/or Lease, the actual amount (a) deposited to the relevant Collection Account by the Manager under Section 4.04(b) of the Management Agreement, (b) deposited to the relevant Collection Account by the Servicer under Section 4.03(b) of the Servicing Agreement, or (c) received by any Seller, the Manager, the Servicer or any Issuer in satisfaction of an indemnity or repurchase obligation under the Asset Purchase Agreement with respect to a Railcar and/or Lease (net of any amounts required to be paid to Manager as described in Section 4.04(f) of the Management Agreement).

"QIB" shall mean a "qualified institutional buyer" within the meaning of Rule 144A.

"Railcar" or "Railcars" shall mean the railroad rolling stock and locomotives identified on the Lease and Railcar Schedule from time to time, including without limitation, all related parts, supplies, machinery, apparatus, accessions, additions, improvements, fittings and things appurtenant thereto, and other equipment or components of any nature from time to time incorporated or installed therein and replacements thereof and substitutions therefor.

"Railcar Assets" shall mean, collectively:

(a) the Railcars, including all rights in the associated registration numbers and marks;

(b) the Leases;

(c) all guaranties, if any, with respect to the Leases;

(d) the Lease Receivables;

(e) all warranties and maintenance agreements, if any, with respect to the Railcars;

(f) the Lease Files;

(g) all intellectual property associated with the Leases, Railcars and other Railcar Assets;

(h) all of the Seller's rights, title and interest in, to and under the Asset Purchase Agreement with respect to the foregoing, including all remedies thereunder for breaches of any representations, warranties, covenants or agreements contained therein;

(i) all documents, instruments, certificates, agreements and books and records, including computer programs, evidencing or otherwise relating to the foregoing;

(j) all Insurance Policies, including Insurance Proceeds related to the foregoing; and

(k) all collections and other proceeds (including insurance proceeds) of any of the foregoing.

"Railcar Entities" shall mean Progress Services Corporation, Railcar, Ltd., Progress Rail Services De Mexico, S.A. de C.V. and 3079936 Nova Scotia Company.

"Railcar Release Proceeds" shall mean the net proceeds deposited into the relevant Collection Account as a result of an Issuer's obtaining the release of a Railcar from the Lien of this Indenture in accordance with Section 8.02(a).

"Railcar Storage Agreement" shall have the meaning set forth in the Management Agreement.

"Railroad Mileage Credits" shall mean the difference between (a) amounts paid or payable to an Issuer or a Lessee under any Lease representing compensation for use of the applicable Railcars by railroad companies or other users thereof in accordance with applicable Car Hire Rules, Car Service Rules and the Interchange Rules, and for Per Diem Leases shall include any estimated payments and shortfall payments paid or, if guaranteed, payable by the Lessee thereunder and, to the extent payable to such Issuer under such Per Diem Lease, hourly and mileage rates prescribed for such Railcars registered in UMLER and the car hire accounting rate master files of the AAR then in effect and (b) amounts paid or payable by such Issuer under any Lease to such Lessee pursuant to any revenue-sharing provisions thereof or other credits to which such Lessee is entitled. For purposes of clarification, Railroad Mileage Credits do not include any amounts payable under a Lease with respect to Events of Loss, maintenance or indemnities thereunder.

"Rapid Amortization Event" shall mean the existence of any one or more of the following events, as of any Payment Date, unless waived in writing by the Controlling Party:

(a) after giving effect to the making of any Basic Principal Payment and Supplemental Principal Payment on such Payment Date, the Note Principal Balance of all Class A Notes Outstanding is greater than the Maximum Class A Note Amount;

(b) any one or more of the following circumstances exists for three or more consecutive Accounting Dates preceding such Payment Date:

(i) for any calculation made with respect to July 31, 2004, or any Accounting Date thereafter, the Monthly Average Lease Rate is less than \$200;

(ii) the Monthly Utilization Rate is 80% or less;

or

(iii) for any calculation made with respect to July 31, 2004, or any Accounting Date thereafter, the Coverage Ratio is less than 1.15;

(c) after giving effect to the making of any Basic Principal Payment and Supplemental Principal Payment on such Payment Date, the Note Principal Balance of the Class A Notes then Outstanding is greater than 90% of the Stated Value of all Eligible Railcars as of the related Accounting Date;

(d) the occurrence of an event permitting the Controlling Party to replace the Servicer or the Manager following the expiration of all applicable cure periods;

(e) the occurrence of an Event of Default; or

(f) a breach of a Concentration Limit; provided that if such breach is caused solely by (i) the downgrade or withdrawal of a debt rating with respect to a Lessee, (ii) a merger, consolidation, or other affiliation of a Lessee with another Lessee, or (iii) the exercise of eminent domain, nationalization or other similar action by any governmental agency or authority with respect to a Lessee, then such breach shall not constitute a Rapid Amortization Event;

provided, however, that a Rapid Amortization Event will be deemed to be cured if the event that gave rise to such Rapid Amortization Event shall no longer exist with respect to three consecutive Payment Dates (otherwise it will be deemed to continue to exist at all times after its occurrence unless waived, in writing, by notice delivered to the Indenture Trustee and the Class A Note Insurer by the Controlling Party).

"Rating Agencies" shall mean S&P and Fitch.

"Rating Agency Condition" shall mean, with respect to any action and a Class of the Notes, that each Rating Agency with respect to such Class shall have been given ten days' (or such shorter period as is acceptable to such Rating Agency) prior notice thereof and that no Rating Agency shall have notified the Issuers, the Servicer, the Class A Note Insurer or the Indenture Trustee in writing that such action will result in a qualification, reduction or withdrawal of its then-current rating.

"Record Date" shall mean, with respect to a Payment Date or a Redemption Date, the last day of the related Collection Period, whether or not a Business Day.

"Redemption Account" shall mean the segregated trust account established by and maintained in the name of the Issuers for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer, established in accordance with Section 12.07, which account shall constitute part of the Collateral.

"Redemption Date" shall mean the date fixed pursuant to Section 14.01.

"Redemption Differential" means the positive difference, if any, between (a) the applicable Redemption Prices for all Notes to be redeemed on the Redemption Date and (b) the sum of the Remaining Cash Collateral Amounts and the Issuer Retained Interest.

"Redemption Price" shall mean, as of any Redemption Date, the following redemption prices (expressed as a percentage of the principal amount of the Notes to be redeemed), plus accrued but unpaid interest on the Notes at the applicable Note Interest Rate to the date fixed for redemption, in each case, together with accrued but unpaid interest on the Notes:

REDEMPTION DATES (BOTH DATES INCLUSIVE)	REDEMPTION PRICE OF CLASS A NOTES	REDEMPTION PRICE OF CLASS B NOTES
February 2011 Payment Date through January 2012 Payment Date	100%	108%
February 2012 Payment Date through January 2013 Payment Date	100%	104%
February 2013 Payment Date and thereafter	100%	100%

provided, however, that for a Clean-Up Call exercised with respect to any Payment Date on or before the January 2011 Payment Date, the redemption price will be 100% with respect to the Class A Notes and 110% with respect to the Class B Notes, in each case, together with accrued but unpaid interest on the Notes.

"Redemption Record Date" shall mean, with respect to any redemption of Notes, the date fixed pursuant to Section 14.01.

"Registered Holder" shall mean, with respect to a Note, the Person whose name appears on the Note Register on the applicable Record Date or Redemption Record Date.

"Regular Supplemental Principal Payment" shall mean, with respect to each Payment Date, the amount set forth in clause (a) of the definition of Supplemental Principal Payment.

"Reimbursement Obligations" shall mean an amount equal to the sum of (a) all amounts paid under the Class A Note Policy, less any payments under the Class A Note Policy previously reimbursed pursuant to Section 12.02(d) or Section 6.08, (b) any other amounts payable to the Class A Note Insurer under the Insurance Agreement, the Premium Letter or any other Transaction Document and (c) interest on the amounts stated above at a rate per annum equal to the Overdue Rate (as defined in the Insurance Agreement).

"Reinvestment Income" shall mean any interest or other earnings earned on all or part of the Collateral.

"Remaining Cash Collateral Amounts" shall mean, with respect to a Redemption Date, all amounts that would remain on deposit in the Cash Collateral Accounts after application to all amounts having a higher priority than the Issuer Retained Interest in Section 12.02(d).

"Rent" shall mean, as the context may require, with respect to all Leases or with respect to each Lease, 100% of the periodic lease payments for the Railcar leased under the Lease as specified on the Lease and Railcar Schedule.

"Required CARCAT Cash Collateral Amount" shall mean, initially, the Initial CARCAT Cash Collateral Deposit and, as of any Payment Date, shall mean an amount equal to the greater of (a) eight (8) times the aggregate amount of scheduled interest payable with respect to the Class A-3 Notes on such Payment Date and (b) \$500,000 for so long as any Class A Notes remain outstanding.

"Required NARCAT Cash Collateral Amount" shall mean, initially, the Initial NARCAT Cash Collateral Deposit and, as of any Payment Date, shall mean an amount equal to five (5) times the aggregate amount of scheduled interest payable with respect to the Class A-1 and Class A-2 Notes on such Payment Date.

"Responsible Officer" shall mean, with respect to the Indenture Trustee, any Senior Vice President, Vice President, Assistant Vice President or Corporate Trust Officer assigned by the Indenture Trustee to administer its corporate trust matters.

"Rule 144A" shall mean the rule designated as "Rule 144A" promulgated by the Securities and Exchange Commission under the Securities Act.

"Rule 144A Global Note" shall mean the permanent global note, evidencing Class A-1 Notes and Class A-2 Notes, in the form of the Class A-1 Note or Class A-2 Note attached hereto as Exhibit B-1 or Exhibit B-2, that is deposited with and registered in the name of the Security Depository or its nominee, representing the Class A-1 Notes or Class A-2 Notes sold in reliance on Rule 144A.

"S&P" or "Standard & Poor's" shall mean Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Sale" shall have the meaning set forth in Section 6.18.

"Sale Agreements" shall mean, collectively, (a) the NARCAT Sale Agreement, (b) the CARCAT Sale Agreement and (c) the NARCAT Mexico Sale Agreement.

"Scheduled Class B Payment" shall mean, with respect to each Payment Date, an amount equal to the sum of (a) the lesser of (i) the Note Principal Balance of all Outstanding Class B Notes, and (ii) with respect to each Payment date before the Payment Date in August of 2004, zero, and with respect to each Payment Date thereafter, \$50,000, and (b) any Overdue Scheduled Class B Payments.

"Scrapped Payment Amount" shall mean, as of any Payment Date, the greater of \$2,000 and the amount necessary to cause the Note Principal Balance of the Class A Notes not to exceed 90% of the Stated Value of all Eligible Railcars as of the related Accounting Date.

"Scrapped Railcar" shall mean a Railcar designated by the Manager, on behalf of the relevant Issuer, as no longer having utility for a reason other than an Event of Loss.

"Secured Obligations" shall mean all amounts and obligations which the Issuers may at any time owe to or on behalf of the Class A Note Insurer and the Indenture Trustee for the benefit of the Holders under this Indenture, the Notes and the other Transaction Documents.

"Secured Parties" shall mean, collectively, the Indenture Trustee, the Holders of the Notes and the Class A Note Insurer.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Security Depository" shall mean DTC or any other organization registered as a "Security Depository" pursuant to Section 17A of the Exchange Act.

"Security Depository Participant" shall mean a broker, dealer, bank, other financial institution or other Person for whom from time to time a Security Depository effects book-entry transfers and pledges of securities deposited with the Security Depository.

"Self-insure" and "self-insurance" shall have the meaning set forth in Section 11.14(b).

"Seller" shall mean any of the U.S. Seller, the Canadian Seller or the Mexican Seller, as the context may require.

"Servicer" shall mean the Person who shall have been appointed as servicer pursuant to the applicable provisions of the Servicing Agreement until a successor Person shall have been appointed as servicer and thereafter "Servicer" shall mean such successor Person.

"Servicer Events of Termination" shall have the meaning set forth in Section 6.01 of the Servicing Agreement.

"Servicer Fee" shall have the meaning set forth in the Servicing Agreement.

"Servicing Agreement" shall mean the Servicing Agreement dated as of February 12, 2004, by and among the Servicer, the Backup Servicer, the Indenture Trustee and the Issuers, pursuant to which the Servicer will service and administer the Collateral Granted to the Indenture Trustee hereunder, as the same may be amended, restated, modified or supplemented from time to time in accordance with the terms thereof.

"Solvent" shall mean with respect to any Person that as of the date of determination both (a)(i) the then fair saleable value of the property of such Person is (A) greater than the total amount of liabilities (including contingent liabilities) of such Person and (B) not less than the amount that will be required to pay the probable liabilities on such Person's then existing debts as they become absolute and matured considering all financing alternatives and potential asset sales reasonably available to such Person, (ii) such Person's capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction, and (iii) such Person does

not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (b) such Person is "solvent" within the meaning given that term and similar terms under applicable Laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Source of Funds Requirements" shall have the meaning set forth in Section 12.02(f).

"Source Payments" shall have the meaning set forth in Section 14.01(a).

"Stated Legal Maturity Date" shall mean February 15, 2019.

"Stated Value" shall mean, as of any Accounting Date and with respect to any Railcar, an amount equal to the Initial Appraised Value of such Railcar, as reduced by the Appraised Value Reduction Factor.

"STB" shall mean the U.S. Surface Transportation Board.

"Subsequent Lease" shall mean any contract, agreement or other arrangement between the owner of a Railcar and any third party providing for the lease, hire, operation or other use of such Railcar by or through such third party, other than a Prefunded Existing Lease, including a Master Lease Agreement (each schedule to a Master Lease Agreement, together with the terms of such Master Lease Agreement, constituting a separate and independent lease), lease, operating agreement, use agreement, a car hire contract or Per Diem Lease, entered into by an Issuer after the Closing Date which meets the requirements of, and is entered into in accordance with, Section 11.15, including any riders, supplements and annexes thereto, as the same may be amended, restated, supplemented or otherwise modified in accordance with the terms hereof.

"Substitute Railcar" shall have the meaning set forth in the Management Agreement.

"Successor Manager" shall have the meaning set forth in the Management Agreement.

"Supplemental Manager Fee" shall have the meaning set forth in the Management Agreement.

"Supplemental Principal Payment" shall mean, with respect to each Payment Date:

(a) a supplemental principal payment on the Notes consisting of the sum of (i) \$100,000, (ii) for each Payment Date beginning with the March 2004 Payment Date through and including the February 2007 Payment Date, \$83,333, (iii) the higher of (x) the net proceeds received by the Issuers, the Sellers, the Manager or the Servicer during the related Collection Period, whether from Insurance Proceeds, the Lessees or otherwise, as a result of the sale or the occurrence of any Event of Loss with respect to any Railcar, and (y) the Stated Value of any such Railcar which shall have been sold or as

to which an Event of Loss shall have occurred during the related Collection Period, or, in the case of up to 630 Scrapped Railcars (excluding locomotives) each of which may be sold during Collection Periods ending on or before January 31, 2005, the Scrapped Payment Amount, (iv) 90% of the Stated Value of each Prefunded Railcar not purchased on or before the Prefunding Account Expiration Date, and (v) any Deferred Supplemental Principal Payment Payments; plus

(b) if a Rapid Amortization Event exists and has not been cured or waived on such Payment Date, all Available Funds remaining on deposit in the Collection Accounts after the payment of the Regular Supplemental Principal Payment.

"Tax Payment Amount" shall mean the amount required to pay all taxes, including, without limitation, any income, withholding, excise, sales, gross receipts, general corporation, tangible or intangible personal property, privilege, or license taxes due and owing by any Issuer or by Holdco with respect to the activities of such Issuer to any taxing authority in any jurisdiction.

"Tax Payment Recipient" shall mean any taxing authority in any jurisdiction, or any intermediary (which shall not be an Affiliate of any Issuer) which has been irrevocably instructed by any Issuer or the Servicer to pay Taxes on behalf of an Issuer.

"Taxes" shall mean any and all taxes, levies, imposts, duties, assessments, charges and withholdings imposed or required to be collected by or paid over to any Governmental Authority, including any interest, penalties, fines, assessments or additions imposed with respect to the foregoing.

"The Andersons" shall mean The Andersons, Inc., an Ohio corporation, and its permitted successors and assigns.

"Transaction Documents" shall mean, collectively, this Indenture, the Servicing Agreement, the Management Agreement, the Sale Agreements, the Purchase Agreements, the Lockbox Agreements, the Asset Purchase Agreement (and any associated documents), the Class A Note Policy, the Insurance Agreement, the Premium Letter, the Funds Transfer Agreement, the Intercompany Advance Agreement and the Notes, and all documents, agreements, instruments and certificates executed in connection with any of the foregoing.

"Triple Net Lease" shall mean, as of the date of determination, any Lease identified as such on the then current Lease and Railcar Schedule.

"Tripped Concentration Limit" shall have the meaning set forth in Section 11.15(c).

"Trustee Fee" shall mean the fees of the Indenture Trustee set forth in that certain fee letter, dated February 12, 2004, and acknowledged on February 12, 2004, by the Issuers.

"UMLER" shall mean the Universal Machine Language Equipment Register maintained by the AAR.

"U.S. Article 9 Assets" shall mean all Article 9 Assets which the U.S. Seller purports to transfer to NARCAT pursuant to the NARCAT Sale Agreement.

"U.S. Filed Documents" shall mean those documents filed with the STB within 10 days of the Closing Date pursuant to Section 2.03(h) of the Management Agreement.

"U.S. Seller" shall mean Cap Acquire, LLC, a Delaware limited liability company, and its permitted successors and assigns.

"U.S. Tax Code" shall have the meaning set forth in Section 3.11(b).

"Vice President" shall mean, with respect to any Person, any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

Section 1.02. Terms Defined in the Servicing Agreement, Sale Agreements or Management Agreement. For the purposes of this Agreement, capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Servicing Agreement or, if not defined therein, in the Sale Agreements or, if not defined therein, in the Management Agreement, as applicable.

Section 1.03. Interpretation. For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires, (a) terms used in this Indenture include, as appropriate, all genders and the plural as well as the singular, (b) references to this Indenture include all Exhibits and Schedules hereto, (c) references to words such as "herein," "hereof" and the like shall refer to this Indenture as a whole and not to any particular part, Article or Section within this Indenture, (d) references to an Article or Section such as "Article I" or "Section 1.01" shall refer to the applicable Article or Section of this Indenture, (e) the term "include" and all variations thereof shall mean "include without limitation," (f) the term "or" shall include "and/or," (g) the term "proceeds" shall have the meaning ascribed to such term in the UCC or the Personal Property Security Act (Nova Scotia), as applicable, (h) any defined term which relates to a document shall include within its definition any amendments, modifications, renewals, restatements, extensions, supplements or substitutions permitted hereunder which have been or are hereafter executed and delivered in accordance with the terms thereof, (i) any defined term which relates to a Person shall include within its definition the successors and permitted assigns of such Person, (j) in the computation of a period of time from a specified date to a later specified date, the word "from" shall mean "from and including" and the words "to" and "until" shall mean "to but excluding," and (k) any defined term which relates to a statute or code or section of such statute or code shall include within its definition any successor statute or code or section thereof, as applicable.

ARTICLE II

NOTE FORM

Section 2.01. General. (a) The Notes shall be designated as Class A-1 Notes, Class A-2 Notes, Class A-3 Notes and Class B Notes. The Class A-3 Notes shall be issued solely to

Holders who are residents of Canada for the purposes of the Canadian Tax Act, and any transfers of the Class A-3 Notes shall be limited to Persons who are such residents; provided, however, that this requirement shall not apply to the Class A Note Insurer to the extent that it may succeed to the interest of a Holder of a Class A-3 Note following payment of a claim under the Class A Note Policy.

(b) All payments of principal and interest made by the Issuers with respect to the Notes shall be made only from the Collateral and, with respect to the Class A Notes, the Class A Note Policy, on the terms and conditions specified herein.

(c) Except as otherwise provided herein, all Notes shall be substantially identical in all respects. Except as specifically provided herein, all Notes issued, authenticated and delivered under this Indenture shall be in all respects equally and ratably entitled to the benefits hereof without preference, priority or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

(d) The aggregate original stated principal balance of the Class A-1 Notes, the Class A-2 Notes, the Class A-3 Notes and Class B Notes that may be executed by an Authorized Officer of each of the Issuers and authenticated and delivered by the Indenture Trustee and Outstanding at any given time under this Indenture is limited to \$29,000,000, \$21,000,000, \$31,400,000 and \$5,000,000, respectively.

(e) Holders of the Notes shall be entitled to payments of interest as provided herein. The Notes shall have a final maturity on the Stated Legal Maturity Date. All Notes of the same Class shall be secured on a parity with one another, with no Note of any Class having any priority over any other Note of that same Class.

(f) The Notes that are authenticated and delivered to the Holders by the Indenture Trustee upon an Issuer Order on the Closing Date shall be dated as of the Closing Date. Any Note issued later in exchange for, or in replacement of, any Note issued on the Closing Date shall be dated the date of its authentication.

(g) Each Note is issuable in the minimum denomination of \$1,000,000, and integral multiples of \$100,000 in excess thereof; provided that one Note of each Class may be issued in an additional amount equal to any remaining portion of the aggregate original stated principal balance of the Notes of such Class.

Section 2.02. Forms of Notes. The Notes shall be in substantially the form set forth in Exhibit B-1, Exhibit B-2, Exhibit B-3 and Exhibit B-4, as applicable, with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the Issuers, as evidenced by their execution thereof.

The Definitive Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Note shall be dated the date of its authentication. The terms of the Notes are set forth in Exhibit B-1, Exhibit B-2, Exhibit B-3 and Exhibit B-4, and are part of the terms of this Indenture.

The Notes are being offered and sold by the Issuers to the Initial Purchasers pursuant to the Purchase Agreements. The Class A-1 Notes and Class A-2 Notes shall initially be issued as Global Notes and the Class A-3 Notes and Class B Notes shall be issuable as Definitive Notes.

(a) Global Notes. The Class A-1 Notes and Class A-2 Notes offered and sold by the Class A-1/A-2 Initial Purchaser to QIBs in reliance on Rule 144A shall be issued initially in the form of Rule 144A Global Notes, which shall be deposited on behalf of the purchasers of the Class A-1 Notes and Class A-2 Notes represented thereby with the Indenture Trustee, as custodian for the Security Depository, and registered in the name of the Security Depository or a nominee of the Security Depository, duly executed by the Issuers and authenticated by the Indenture Trustee as hereinafter provided. The aggregate principal amount of the Rule 144A Global Notes may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee and the Security Depository or its nominee as hereinafter provided. The Indenture Trustee shall not be liable for any error or omission by the Security Depository in making such record adjustments and the records of the Indenture Trustee shall be controlling with regard to the Note Principal Balance of Class A-1 Notes and Class A-2 Notes hereunder.

Each Global Note shall represent such of the Outstanding Class A-1 Notes or Class A-2 Notes as shall be specified therein and each shall provide that it shall represent the aggregate amount of Outstanding Class A-1 Notes and Class A-2 Notes from time to time endorsed thereon and that the aggregate amount of Outstanding Class A-1 Notes and Class A-2 Notes represented thereby may from time to time be reduced or increased, as appropriate, to reflect exchanges and redemptions. Any endorsement of a Global Note to reflect the amount of any increase or decrease in the amount of Outstanding Class A-1 Notes and Class A-2 Notes represented thereby shall be made by the Indenture Trustee, or by the Note Registrar at the direction of the Indenture Trustee, in accordance with instructions given by the Holder thereof.

Except as set forth in Section 3.06, the Global Notes may be transferred, in whole and not in part, only to another nominee of the Security Depository or to a successor of the Security Depository or its nominee.

(b) Book-Entry Provisions. This Section 2.02(b) shall apply only to the Rule 144A Global Notes deposited with or on behalf of the Security Depository.

The Issuers shall execute and the Indenture Trustee shall, in accordance with this Section 2.02(b), authenticate and deliver one Global Note for the Class A-1 Notes and one Global Note for the Class A-2 Notes which (i) shall be registered in the name of the Security

Depository or the nominee of the Security Depository and (ii) shall be delivered by the Indenture Trustee to the Security Depository or pursuant to the Security Depository's instructions or held by the Indenture Trustee as custodian for the Security Depository.

Agent Members shall have no rights either under this Indenture with respect to any Global Note held on their behalf by the Security Depository or by the Indenture Trustee as custodian for the Security Depository or under such Global Note, and the Security Depository may be treated by the Issuers, the Indenture Trustee and the Class A Note Insurer and any agent of the Issuers, the Indenture Trustee or the Class A Note Insurer as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuers, the Indenture Trustee or the Class A Note Insurer or any agent of the Issuers, the Indenture Trustee or the Class A Note Insurer from giving effect to any written certification, proxy or other authorization furnished by the Security Depository or impair, as between the Security Depository and its Agent Members, the operation of customary practices of such Security Depository governing the exercise of the rights of a Note Owner.

The Note Registrar, the Indenture Trustee and the Class A Note Insurer shall be entitled to treat the Security Depository for all purposes of this Indenture (including the payment of principal of and interest on the Class A-1 Notes and Class A-2 Notes and the giving of instructions or directions hereunder) as the sole Holder of the Class A-1 Notes and Class A-2 Notes, and shall have no obligation to the Note Owners of Class A-1 Notes or Class A-2 Notes.

The rights of Note Owners of Class A-1 Notes and Class A-2 Notes shall be exercised only through the Security Depository and shall be limited to those established by law and agreements between such Note Owners of Class A-1 Notes and Class A-2 Notes and the Security Depository and/or the Agent Members pursuant to the Note Depository Agreement. The initial Security Depository will make book-entry transfers among the Agent Members and receive and transmit payments of principal of and interest on the Class A-1 Notes and Class A-2 Notes to such Agent Members with respect to such Global Notes.

Whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Class A Notes evidencing a specified percentage of the Outstanding amount of the Class A Notes, the Security Depository shall be deemed to represent such percentage only to the extent that it has received instructions to such effect from Note Owners of Class A-1 Notes or Class A-2 Notes and/or Agent Members owning or representing, respectively, such required percentage of the beneficial interest in the Notes and has delivered such instructions to the Indenture Trustee.

(c) Definitive Notes. Except as provided in this Section 2.02 and in Sections 3.06 and 3.10, Holders of the Class A-1 Notes and Class A-2 Notes will not be entitled to receive physical delivery of Definitive Notes. Holders of the Class A-3 Notes and the Class B Notes will only be entitled to receive Definitive Notes, and will not be entitled to hold such Notes as Book-Entry Notes at any time.

ARTICLE III

TERMS OF NOTES; TRANSFERS

Section 3.01. Payment of Principal and Interest. (a) Principal payments on the Notes, to the extent that Available Funds are available for the payments thereof, in an amount equal to the Basic Principal Payment and the Supplemental Principal Payment will be made on each Payment Date to the Holders in accordance with Section 12.02(d) and Section 6.08.

(b) Each Class of Notes shall be entitled to receive payments of interest on their respective Note Principal Balances on each Payment Date as provided herein at the Class A-1 Note Interest Rate, the Class A-2 Note Interest Rate, the Class A-3 Note Interest Rate or the Class B Note Interest Rate, as applicable, from the Closing Date until the Note Principal Balance of each such Class is reduced to zero or until payment is provided therefor as set forth in Article XIV. After the initial Payment Date, payments of interest accrued on each Class of Notes and payable on each Payment Date will be calculated on the Note Principal Balance of each Class of Notes as of the immediately preceding Payment Date after giving effect to any payments of principal on such immediately preceding Payment Date. With respect to the initial Payment Date, interest will be calculated on the Note Principal Balance of each Class of Notes from the Closing Date through the day preceding the initial Payment Date. All computations of interest accrued on any Note shall be made on the basis of a 360-day year consisting of 12 thirty-day months.

(c) If the entire amount of the Class A-1 Note Interest, Class A-2 Note Interest, Class A-3 Note Interest or Class B Note Interest that is due on any Payment Date shall not have been punctually made or duly provided for when and as due (after giving effect to any applicable cure or grace period), then interest on the applicable Overdue Interest shall accrue (to the extent permitted by law), from the date such amount was due until paid, at the Class A-1 Note Interest Rate, Class A-2 Note Interest Rate, Class A-3 Note Interest Rate or the Class B Note Interest Rate, as applicable.

(d) The rights of the Holders of the Class B Notes to receive payments of principal and interest in respect of the Class B Notes on any Payment Date, Stated Maturity Date or Redemption Date shall be subordinated to the rights of the Holders of Class A Notes to receive payments of principal and interest in respect of the Class A Notes on such Payment Date, Stated Maturity Date or Redemption Date and certain other payments as set forth in Section 12.02(d) and Section 6.08.

Section 3.02. Payments to Holders. (a) Holders of Notes of each Class shall, subject to the priorities and conditions set forth in Section 12.02(d) or Section 6.08, be entitled to receive payments of interest and principal on each Payment Date (including any Overdue Interest, Overdue Basic Principal Payments and Deferred Supplemental Principal Payments). Any payment of interest or principal payable with respect to the Notes on the applicable Payment Date shall be made to the Person in whose name such Note is registered at the close of business on the Record Date for such Payment Date in the manner provided in Section 3.02(c).

(b) All reductions in the Note Principal Balance of a Note (or one or more Predecessor Notes) effected by payments of principal made on any Payment Date shall be binding upon all Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(c) The Indenture Trustee shall pay to each Holder of record as of the related Record Date either (i) by wire transfer, in immediately available funds to the account of such Holder at a bank or other entity having appropriate facilities therefor, if such Holder shall have provided to the Indenture Trustee appropriate written instructions at least five Business Days prior to related Payment Date (which instructions shall remain in effect for subsequent Payment Dates unless revoked by such Holder), or (ii) if the Indenture Trustee has not received timely written instructions regarding the account of a Holder, by check mailed to such Holder at the address of such Holder appearing in the Note Register, the amounts to be paid to such Holder pursuant to such Holder's Notes; provided, that so long as the Notes are registered in the name of the Security Depository such payments shall be made to the nominee thereof in immediately available funds.

(d) Unless the Controlling Party otherwise directs in the case of an acceleration of the Notes following the occurrence of an Event of Default, (a) all payments of principal and interest with respect to the Class A-1 Notes, the Class A-2 Notes and the Class B Notes shall be payable solely from amounts held in the NARCAT Collection Account or, in the case of the Class A-1 Notes and the Class A-2 Notes, from amounts funded under the Class A Note Policy, and (b) all payments of principal and interest with respect to the Class A-3 Notes shall be payable solely from amounts held in the CARCAT Collection Account or from amounts funded under the Class A Note Policy.

Section 3.03. Execution, Authentication, Delivery and Dating. (a) The Notes shall be executed by an Authorized Officer of each of the Issuers. The signature of each such Authorized Officer on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signature of any individual who was, at the time of execution thereof, an Authorized Officer of an Issuer, shall bind such Issuer, notwithstanding the fact that such individual ceased to hold such office prior to the authentication and delivery of such Notes or did not hold such office at the date of issuance of such Notes.

(b) At any time and from time to time after the execution and delivery of this Indenture, the Issuers may deliver Notes executed by an Authorized Officer of each of the Issuers to the Indenture Trustee for authentication, and the Indenture Trustee, upon receipt of the Notes and of an Issuer Order, shall authenticate and deliver such Notes; provided, however, that the Indenture Trustee shall not authenticate the Notes on the Closing Date unless and until it shall have received the documents listed in Section 4.01.

(c) Notes issued upon transfer, exchange or replacement of other Notes (such other Notes, "Predecessor Notes") shall be issued in authorized denominations reflecting the Note Principal Balance so transferred, exchanged or replaced, but shall represent only the Note Principal Balance so transferred, exchanged or replaced. In the event that any Note is divided

into more than one Note in accordance with this Article III, such Note Principal Balance shall be divided among the Notes delivered in exchange therefor.

(d) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose unless there appears on such Note a certificate of authentication, substantially in the form provided for herein, executed by the Indenture Trustee by the manual signature of a Responsible Officer of the Indenture Trustee, and such executed certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered.

Section 3.04. Temporary Notes. Except for Book-Entry Notes, temporary Notes shall be issuable in any authorized denomination, and substantially in the form of the Definitive Notes but with such omissions, insertions and variations as may be appropriate for temporary Notes, all as may be determined by the Issuers. Every such temporary Note shall be executed by an Authorized Officer of each of the Issuers and authenticated by the Indenture Trustee upon the same conditions and in substantially the same manner, and with the same effect, as the Definitive Notes. Without unreasonable delay the Issuers will execute and deliver to the Indenture Trustee Definitive Notes (other than in the case of Notes in global form) and thereupon any or all temporary Notes (other than in the case of Notes in global form) may be surrendered in exchange therefor, at the Corporate Trust Office, and the Indenture Trustee shall authenticate and deliver in exchange for such temporary Notes an equal aggregate principal amount of Definitive Notes. Such exchange shall be made by the Issuers at their own expense and without any charge therefor. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits and subject to the same limitations under this Indenture as Definitive Notes authenticated and delivered hereunder.

Section 3.05. Registration, Registration of Transfer and Exchange. (a) The Indenture Trustee (the "Note Registrar") shall cause to be kept at its Corporate Trust Office a register (the "Note Register"), in which, subject to such reasonable regulations as it may prescribe, the Indenture Trustee shall provide for the registration of the Notes and the registration of transfers of such Notes.

If a Person other than the Indenture Trustee is appointed by the Issuers as Note Registrar, the Issuers will give each of the Indenture Trustee, the Class A Note Insurer and the Holders prompt written notice of the appointment of such Note Registrar and of the location, and any change in the location, of the Note Register. The Indenture Trustee, the Class A Note Insurer and each Holder shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof. The Indenture Trustee, the Class A Note Insurer and each Holder shall have the right to rely upon a certificate executed on behalf of the Note Registrar by a Responsible Officer thereof as to the names and addresses of the Holders and the principal amounts and the amounts and number of such Notes.

(b) Each Person who has or who acquires any Ownership Interest in a Note shall be deemed by the acceptance or acquisition of such Ownership Interest to have agreed to be bound by the provisions of this Section 3.05.

(c) Each purchaser of Class A-1 Notes, Class A-2 Notes and Class B Notes will be deemed to have represented and agreed as follows (terms used in this section that are defined in Rule 144A or the Securities Act are used herein as defined therein):

(i) The purchaser understands that the Notes will be offered and may be resold by the Initial Purchasers only to QIBs pursuant to Rule 144A.

(ii) The purchaser is (i) purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion, (ii) a QIB, and any such account is a QIB, (iii) aware that the sale to it is being made in reliance on Rule 144A, and (iv) (or such account is) acquiring such Notes for investment and not with a view to, or for offer or sale in connection with, any distribution or fractionalization thereof or with any intention of reselling the Notes or any part thereof, subject to any requirement of law that the disposition of its property or the property of such account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A.

(iii) The purchaser understands that the Notes have not been registered under the Securities Act, and that if in the future it decides to reoffer, resell, pledge or otherwise transfer such Notes it will do so only (i) pursuant to Rule 144A to a person whom the seller reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, purchasing for its own account or for the account of a QIB, whom the Holder has informed that such reoffer, resale, pledge or other transfer is being made in reliance on Rule 144A or to the Issuers pursuant to the terms of this Indenture, or (ii) pursuant to another exemption available under the Securities Act as evidenced by an opinion of counsel acceptable to the Issuers and the Indenture Trustee.

(iv) The purchaser understands that the Notes will bear legends to the following effect unless the Issuers determine otherwise consistent with applicable Law:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING THIS NOTE, AGREES (1) THAT THIS NOTE MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY PURSUANT (A) TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON WHOM THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT, OR A QIB PURCHASING FOR THE ACCOUNT OF A QIB, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR TO AN ISSUER PURSUANT TO THE TERMS OF THE INDENTURE OR (B) PURSUANT TO ANOTHER EXEMPTION AVAILABLE UNDER THE SECURITIES ACT AS EVIDENCED BY AN OPINION OF COUNSEL ACCEPTABLE TO THE INDENTURE TRUSTEE AND THE ISSUERS, AND (2) THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE OR AN INTEREST HEREIN IS TO BE

TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. THE INDENTURE RELATED TO THIS NOTE CONTAINS A PROVISION REQUIRING THE INDENTURE TRUSTEE TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE OR ANY INTEREST HEREIN IN VIOLATION OF THE FOREGOING. EACH TRANSFEREE ACCEPTING A BENEFICIAL INTEREST IN THIS NOTE IS DEEMED TO REPRESENT TO THE ISSUERS THAT IT IS EITHER A QIB PURCHASING FOR ITS OWN ACCOUNT, A QIB PURCHASING FOR THE ACCOUNT OF ANOTHER QIB OR A PERMITTED TRANSFEREE AS SPECIFIED IN THE ABOVE-REFERENCED OPINION OF COUNSEL.

THE INFORMATION CONTAINED IN THIS NOTE IS THE EXCLUSIVE RESPONSIBILITY OF THE ISSUERS AND HAS NOT BEEN REVIEWED OR APPROVED BY THE NATIONAL BANKING AND SECURITIES COMMISSION OF MEXICO (COMISION NACIONAL BANCARIA Y DE VALORES DE MEXICO). THE REGISTRATION IN THE SPECIAL SECTION OF THE NATIONAL SECURITIES REGISTRY, HANDLED BY THE NATIONAL BANKING AND SECURITIES COMMISSION OF MEXICO, DOES NOT IMPLY CERTIFICATION CONCERNING THE VALIDITY OF THE NOTES OR THE SOLVENCY OF THE ISSUERS.

THE NOTES HAVE NOT BEEN REGISTERED IN THE SECURITIES SECTION OF THE MEXICAN NATIONAL SECURITIES REGISTRY, AND, THEREFORE, THEY ARE NOT SUBJECT TO A PUBLIC OFFERING OR PLACEMENT IN MEXICO. ANY MEXICAN INVESTOR WHO ACQUIRES ANY OF THE NOTES WILL DO SUCH UNDER ITS OWN RESPONSIBILITY.

(v) If the purchaser is acquiring any Note as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to such account and that it has full power to make the acknowledgments, representations and agreements contained herein on behalf of each such account.

(vi) The purchaser is a QIB purchasing for its own account or for the account of another QIB and it, and such other person (if applicable), are aware that the sale to it is being made in reliance on Rule 144A.

(vii) The purchaser acknowledges that transfers of the Notes shall otherwise be subject in all respects to the restrictions applicable thereto contained in this Indenture.

(viii) Either (A) that the purchaser (or the account, as applicable) will not acquire the Notes with the assets of any "employee benefit plan" as defined in Section 3(3) of ERISA which is subject to Title I of ERISA or any "plan" as defined in Section 4975 of the U.S. Tax Code (each such entity, a "Benefit Plan") or (B) no non-exempt "prohibited transaction" under Section 406 of ERISA or Section 4975 of the U.S.

Tax Code will occur in connection with the purchaser's or such account's acquisition or holding of the Notes.

(ix) The purchaser acknowledges that (A) none of the Issuers, the Manager, the Servicer, the Initial Purchasers, the Class A Note Insurer or any person representing any of them has made any representation to it with respect to the Issuers, the Manager, the Servicer, the Class A Note Insurer or the offering of the Notes other than the information which is contained in the Offering Memorandum, and (B) the purchaser has had access to such financial and other information concerning the Issuers, the Manager, the Servicer, the Class A Note Insurer and the offering of the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the relevant Initial Purchaser, the Issuers, the Manager, and the Servicer.

(x) The purchaser acknowledges that the Issuers, the Initial Purchasers and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agrees that if any of the foregoing acknowledgments, representations and agreements deemed to have been made by it are no longer accurate, it shall promptly notify the Issuers and the applicable Initial Purchaser.

In addition to the above representations, each purchaser of Class B Notes will also be deemed to have represented and agreed that, notwithstanding anything in the Indenture to the contrary, no transfer or issuance of any Class B Note or any interest in any Issuer or any direct or indirect interest therein shall be made (i) that would result in there being more than one hundred (100) owners in the aggregate of the Class B Notes and equity owners of any of the Issuers, or (ii) to any beneficial owner of an interest in a partnership, grantor trust or S corporation (herein referred to as a "Flow-through entity") which Flow-through entity's ownership, directly or indirectly through other Flow-through entities, of Notes constitutes fifteen percent (15%) or more, measured by value, of such Flow-through entity's assets. The purchaser either acknowledges that it is not a Flow-through entity, or, if it is a Flow-through entity, it shall provide a description of the structure of such Flow-through entity to the Issuers on its Investment Letter.

(d) Each purchaser of Class A-3 Notes in Canada will be required to execute an Investment Letter in the form attached as Exhibit A-2 prior to purchasing Class A-3 Notes. Each purchaser of Class A-3 Notes will also be deemed to have represented and agreed as follows:

(i) The purchaser is a resident of Canada for the purposes of the Income Tax Act (Canada).

(ii) The purchaser is a resident of one of the provinces or territories of Canada and is a person or company to whom the Class A-3 Notes may be offered and sold in reliance upon an exemption from the prospectus requirements of the securities legislation of one or more of the provinces or territories in which the offering and sale of the Class A-3 Notes is, or is deemed to be, taking place.

(iii) The purchaser is a "qualified institutional buyer" as defined in Rule 144A.

(iv) The purchaser is basing its investment decision solely on the Canadian Offering Memorandum and not on any other information concerning the Issuers or the Offering.

(v) The purchaser has reviewed and acknowledges the terms referred to under the heading "Resale Restrictions" in the Canadian Offering Memorandum.

(e) Other than with respect to Book-Entry Notes, at the option of a Holder, Notes may be exchanged for other Notes of any authorized denominations and of a like Note Principal Balance and Class upon surrender of the Notes to be exchanged at the Corporate Trust Office. Whenever any Notes are so surrendered for exchange, the Issuers shall execute, and the Indenture Trustee shall authenticate and deliver, the Notes which the Holder making the exchange is entitled to receive.

(f) Other than with respect to Book-Entry Notes, any Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer substantially in the form of the assignment included as part of Exhibit B-1, B-2, B-3 or B-4 hereto duly executed. All Notes issued upon any registration of transfer or exchange of Notes shall be the valid, joint and several obligations of the Issuers, evidencing the same rights, and entitled to the same benefits under this Indenture, as the Class of Notes surrendered upon such registration of transfer or exchange. No service charge shall be made for any registration of transfer or exchange of Notes, but the Issuers and the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge as may be imposed in connection with any registration of transfer or exchange of Notes, other than exchanges pursuant to Section 3.06 not involving any transfer.

The Notes have not been and will not be registered under the Securities Act, and, except for the registration with the Special Section of the Mexican National Securities Registry (Registro Nacional de Valores or RNV), the Notes will not be registered or qualified (including any qualification by prospectus for distribution to the public) under the securities laws of any state, Canadian province or other jurisdiction. The Notes generally may be transferred only to a QIB. In addition, the Class A-3 Notes may be transferred only to Persons who are residents of Canada for purposes of the Canadian Tax Act and meet certain requirements under applicable Canadian securities legislation.

Section 3.06. Transfer and Exchange. (a) The transfer and exchange of Global Notes or beneficial interests therein shall be effected through the Security Depository, in accordance with this Indenture and the procedures of the Security Depository therefor, which shall include restrictions on transfer comparable to those set forth herein to the extent required by the Securities Act. Beneficial interests in a Global Note may be transferred to persons who take delivery thereof in the form of a beneficial interest in the same Global Note in accordance with the transfer restrictions set forth in the legend in subsection (c)(iv) of Section 3.05.

(b) Transfer and Exchange from Definitive Notes to Definitive Notes. When Definitive Notes are presented by a Holder to the Note Registrar with a request:

(i) to register the transfer of Definitive Notes in the form of other Definitive Notes; or

(ii) to exchange such Definitive Notes for an equal principal amount of Definitive Notes of other authorized denominations, the Note Registrar shall register the transfer or make the exchange as requested; provided, however, that the Definitive Notes presented or surrendered for register of transfer or exchange:

(A) shall be duly endorsed or accompanied by a written instruction of transfer in form satisfactory to the Note Registrar duly executed by such Holder or by his attorney, duly authorized in writing;

(B) if such Definitive Note is being transferred to a QIB in accordance with Rule 144A, a certification to that effect from such Holder (in substantially the form of Exhibit A-1 or Exhibit A-2, as applicable, hereto); or

(C) if such Definitive Note is being transferred in reliance on any other exemption from the registration requirements of the Securities Act, a certification to that effect from such Holder (in substantially the form of Exhibit A-1 or Exhibit A-2, as applicable, hereto) and an opinion of counsel from such Holder or the transferee reasonably acceptable to the Issuers, the Class A Note Insurer (in the case of a proposed transfer of a Class A Note and so long as no Class A Note Insurer Default shall have occurred and is continuing) and the Indenture Trustee to the effect that such transfer is in compliance with the Securities Act.

(D) in the case of a transfer of the Class A-3 Notes, such transfer shall be to a resident of Canada for the purposes of the Income Tax Act (Canada) and pursuant to an exemption order for the prospectus requirements of the securities legislation of the provinces or territories in Canada in which such transaction is taking place.

(c) Restrictions on Transfer and Exchange of Global Notes. Notwithstanding any other provision of this Indenture, a Global Note may not be transferred as a whole except by the Security Depository to a nominee of the Security Depository or by a nominee of the Security Depository to the Security Depository or another nominee of the Security Depository or by the Security Depository or any such nominee to a successor Security Depository or a nominee of such successor Security Depository.

(d) Other than as specified in the Purchase Agreements, the Initial Purchasers shall not be required to deliver, and neither the Issuers nor the Indenture Trustee shall demand therefrom, any of the certifications or opinions described in this Section 3.06 in connection with the initial issuance of the Notes and the delivery thereof by the Issuers.

Section 3.07. Mutilated, Destroyed, Lost or Stolen Notes. (a) If (i) any mutilated Note is surrendered to the Indenture Trustee or the Indenture Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (ii) there is delivered to the Indenture Trustee such security or indemnity as may be required by the Indenture Trustee to hold each of the Issuers and the Indenture Trustee harmless, then, in the absence of actual notice to the Issuers or the Indenture Trustee that such Note has been acquired by a bona fide purchaser, the Issuers shall execute, and the Indenture Trustee shall authenticate and deliver upon an Issuer Order, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note or Notes of the same tenor and Class and principal balance bearing a number not contemporaneously outstanding; provided, however, that if any such mutilated, destroyed, lost or stolen Note shall have become subject to receipt of payment in full, instead of issuing a new Note, the Indenture Trustee may make a payment with respect to such Note without surrender thereof, except that any mutilated Note shall be surrendered. If, after the delivery of such new Note or payment with respect to a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a bona fide purchaser of the original Note in lieu of which such new Note was issued presents for receipt of payments such original Note, the Issuers, the Class A Note Insurer (in the case of any Class A Note) and the Indenture Trustee shall be entitled to recover such new Note (or such payment) from the Person to whom it was delivered or any Person taking such new Note from such Person, except a bona fide purchaser, and each of the Issuers, the Class A Note Insurer (in the case of any Class A Note) and the Indenture Trustee shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage or cost incurred by the Issuers, the Class A Note Insurer or the Indenture Trustee in connection therewith.

(b) Upon the issuance of any new Note under this Section 3.07, the Issuers or the Indenture Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

(c) Every new Note issued pursuant to this Section 3.07 in lieu of any destroyed, lost or stolen Note shall constitute an original additional joint and several contractual obligation of the Issuers, whether or not the destroyed, lost or stolen Note shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

(d) The provisions of this Section 3.07 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment with respect to mutilated, destroyed, lost or stolen Notes.

Section 3.08. Persons Deemed Holders. Before due presentment for registration of transfer of any Note, the Issuers, the Class A Note Insurer, the Indenture Trustee and any agent of any Issuer, the Class A Note Insurer or the Indenture Trustee may treat the Person in whose name any Note is registered or in whose name any beneficial interest of a Note is registered pursuant to Section 3.05 as the owner of such Note (a) on the applicable Record Date for the purpose of receiving payments with respect to principal and interest on such Note and (b) on any date for all other purposes whatsoever, whether or not such Note be overdue, and none of the Issuers, the Class A Note Insurer, the Indenture Trustee nor any agent of any Issuer, the Class A Note Insurer or the Indenture Trustee shall be affected by any notice to the contrary.

Section 3.09. Cancellation of Notes. All certificated Notes surrendered for payment, registration of transfer, exchange or prepayment shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee and shall be promptly canceled by it; provided, that no Class A Note shall be canceled if such payment is made from funds paid under the Class A Note Policy until the Class A Note Insurer has confirmed to the Indenture Trustee in writing that it has received all Reimbursement Obligations. The Issuers may at any time deliver to the Indenture Trustee for cancellation any Note previously authenticated and delivered hereunder which the Issuers may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly canceled by the Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 3.09 except as expressly permitted by this Indenture. All canceled Notes shall be held and disposed of by the Indenture Trustee in accordance with its standard retention and disposal policy.

Section 3.10. Definitive Notes. The Class A-3 Notes and the Class B Notes will be issued as Definitive Notes and will not at any time that such Notes are Outstanding be issued to the Securities Depository or its nominee. The Class A-1 Notes and Class A-2 Notes will be issued as Definitive Notes, rather than to the Securities Depository or its nominee, only if (a) the Issuers advise the Note Registrar in writing that the Securities Depository is no longer willing or able to discharge properly its responsibilities as the Securities Depository with respect to the Book-Entry Notes and the Issuers are unable to locate a qualified successor, (b) the Issuers, at their option, elect to terminate the book-entry system through the Securities Depository or (c) after the occurrence of an Event of Default, Holders representing at least a majority of the outstanding principal amount of the Class A-1 Notes or the Class A-2 Notes, as applicable, advise the Issuers through the Securities Depository in writing that the continuation of a book-entry system through the Securities Depository (or a successor thereto) is no longer in such Holders' best interest. Upon the occurrence of any of the events described in this paragraph, the Issuers will be required to notify the Note Registrar, and the Note Registrar will be required to notify all Holders of Class A-1 Notes and Class A-2 Notes through participants of the availability of Definitive Notes. Upon surrender by the Securities Depository of its Book-Entry Notes and receipt of instructions for reregistration, the Issuers will reissue the Book-Entry Notes as Definitive Notes to the Class A-1 Holders and Class A-2 Holders in the amounts specified in the reregistration instructions.

Section 3.11. Tax Treatment. (a) The Issuers have structured the transactions represented by this Indenture and the Notes with the intention that the Notes be treated, for all purposes, as indebtedness. Each Holder by its acquisition of a Note agrees, for all purposes, to treat the Notes as indebtedness. Each provision of the Indenture, the Purchase Agreements and the Notes shall be construed in accordance with this intention, and no party to the Indenture or a Purchase Agreement and no Holder shall take, fail to take or permit to be taken any act that may be inconsistent with this statement of intention. Without limiting the generality of the preceding sentence, under no circumstances will any of the Issuers, the Indenture Trustee or the Holders elect to treat any Issuer as a corporation for U.S. federal income tax purposes; further, an election shall be filed to cause NARCAT Mexico to be treated as a disregarded entity (or, if contrary to the intent of the parties, the Notes were determined not to constitute indebtedness for federal income tax purposes, as a partnership) for U.S. federal income tax purposes.

(b) No ownership interest in any Note or shall be issued, sold, transferred, listed or otherwise exchanged at any time on an established securities market, including (i) a national securities exchange registered under the Securities Exchange Act of 1934, as amended (the "1934 Act") or exempted from registration because of the limited volume of transactions; (ii) a foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfied regulatory requirements that are analogous to the regulatory requirements under the 1934 Act applicable to exchanges described in clause (i); (iii) a regional or local exchange; or (iv) an over-the-counter market, as the terms in clauses (i), (ii), (iii) and (iv) are defined for purposes of Section 7704 of the Internal Revenue Code of 1986, as amended (the "U.S. Tax Code").

(c) Notwithstanding anything in the Indenture to the contrary, no transfer or issuance of any Class B Note or any interest in any Issuer or any direct or indirect interest therein shall be made (i) that would result in there being more than one hundred (100) owners in the aggregate of the Class B Notes and equity owners of any of the Issuers, or (ii) to any beneficial owner of an interest in a partnership, grantor trust or S corporation (herein referred to as a "Flow-through entity") which Flow-through entity's ownership, directly or indirectly through other Flow-through entities, of Notes constitutes fifteen percent (15%) or more, measured by value, of such Flow-through entity's assets.

(d) Based upon representations made by the Issuers, no "interests in real property," secure the Notes. The term "interests in real property" includes fee ownership and co-ownership of land or improvements thereon, leaseholds of land or improvements thereon, options to acquire land or improvements thereon, and options to acquire leaseholds of land or improvements thereon. The term also includes timeshare interests that represent an undivided fractional fee interest, or undivided leasehold interest, in real property, and that entitle the holders of the interests to the use and enjoyment of the property for a specified period of time each year. The term "real property" means land or improvements thereon, such as buildings or other inherently permanent structures thereon (including items which are structural components of such buildings or structures). In addition, the term "real property" includes interests in real property. Local law definitions will not be controlling for purposes of determining the meaning of the term "real property." The term includes, for example, the wiring in a building, plumbing systems, central heating or central air-conditioning machinery, pipes or ducts, elevators or escalators installed in the building, or other items which are structural components of building or other permanent structure. The term does not include assets accessory to the operation of a business, such as machinery, printing press, transportation equipment which is not a structural component of the building, office equipment, refrigerators, individual air-conditioning units, grocery counters, furnishings of a motel, hotel, or office building, etc., even though such items may be termed fixtures under local law.

(e) Each purchaser shall, on or prior to the date the first payment becomes due after the date that it becomes a purchaser, and thereafter within 30 days after requested in writing by NARCAT or the Indenture Trustee and within a reasonable period of time (but in no event later than the day before the date of the next payment due to such purchaser on the Notes) after a change in the information on any form previously delivered, provide NARCAT and the Indenture Trustee with (i) if such purchaser is a "United States person" under Section 7701(a)(30) of the U.S. Tax Code (other than a purchaser who is a corporation whose

name contains the words "insurance company," "reinsurance company," "assurance company," "Corporation" or "Inc.") a properly completed Internal Revenue Service Form W-9 or any successor form prescribed by the Internal Revenue Service or (ii) if such purchaser is not a "United States person" under Section 7701(a)(30) of the U.S. Tax Code, (x) a properly completed Internal Revenue Service Form W-8BEN or any successor form prescribed by the Internal Revenue Service, certifying that such purchaser is entitled to benefits under an income tax treaty to which the United States is a party which provides a complete exemption from United States withholding taxes, (y) a properly completed Internal Revenue Service Form W-8ECI or any successor form prescribed by the Internal Revenue Service, certifying that the income receivable under the Notes or any other Transaction Document is effectively connected with the conduct by such Person of a trade or business in the United States or (z) if such purchaser is not a "bank" within the meaning of Section 881(c)(3)(A) of the U.S. Tax Code, a certificate substantially in the form of Exhibit D-1 or D-2, as applicable, completed Internal Revenue Service Form W-8BEN or any successor form prescribed by the Internal Revenue Service, certifying that such purchaser is not a United States person under Section 7701(a)(30) of the U.S. Tax Code; provided that if there is a change in the information on any form previously delivered by a purchaser and such purchaser is not eligible to provide any replacement form (and if applicable, replacement certificate) hereunder, such purchaser shall notify NARCAT and the Indenture Trustee of such event no later than the day before the date of the next payment due to such purchaser on the Notes. In regard to any non-U.S. holder of a Note that is treated as a partnership for U.S. income tax purposes, the above requirements shall be satisfied by the beneficial owners of interests in such non-U.S. holder (looking through partners that are foreign intermediaries or flow-through entities).

(f) The Indenture Trustee shall not file any election under Treasury Regulations Section 301.7701-3 to cause the Indenture to be treated as an association taxable as a corporation.

Section 3.12. Withholding Taxes. (a)(i) The Issuers agree to make interest payments to the Holders so that the net amounts received by the Holders, after the withholding of any taxes ("Mexican Withholding Taxes") required by Mexico's Federal Income Tax Law on interest payments made by NARCAT Mexico, will equal the amounts that the Holders would have received if no withholding had been required, and (ii) NARCAT Mexico agrees to pay to the Mexican taxing authorities (as a portion of Tax Payment Amounts in Section 6.08 or Section 12.02(d), as applicable) such amounts as shall be required to comply with NARCAT Mexico's obligation to pay Mexican Withholding Taxes on a timely basis.

(b) If either (i) a court or the Internal Revenue Service determines that Taxes must be withheld on interest payments made by NARCAT to Holders who are nonresidents and who are not citizens of the United States, or (ii) Taxes must be withheld on interest payments made by CARCAT to Holders who are not residents of Canada within the meaning of the Canada Tax Act, then payments of interest to such nonresident Holders will be reduced to the extent required to pay such taxes, notwithstanding any other provision of this Indenture.

(c) The Class A Note Policy does not cover any shortfalls resulting from withholding tax liability or interest or penalties in respect of such liability.

ARTICLE IV

AUTHENTICATION AND DELIVERY OF NOTES; POST-CLOSING FILINGS

Section 4.01. General Provisions. The Notes shall be executed by Authorized Officers of each of the Issuers and delivered to the Indenture Trustee for authentication and thereupon the same shall be authenticated and delivered by the Indenture Trustee upon an Issuer Order upon receipt by the Indenture Trustee of the following:

- (a) copies of each of the Transaction Documents, duly executed and delivered by each of the parties thereto (other than the Indenture Trustee);
- (b) a Board Resolution of each of the Issuers, the Servicer, the Manager and each Seller authorizing, as applicable, the execution, delivery and performance of the Transaction Documents to which it is a party and the transactions contemplated thereby;
- (c) a certificate or other official document evidencing any authorization, approval or consent of each government body or bodies required for valid issuance of such Notes or the execution, delivery and performance of any of the Transaction Documents;
- (d) one or more Opinions of Counsel with respect to each Issuer, each Seller, Holdco, the Servicer and the Manager, as applicable (which may rely upon one or more Officer's Certificates from the related Person as to matters of fact and which may be based on such assumptions and subject to such exceptions, limitations and qualifications as are customarily contained in opinions of this nature) substantially to the effect that, and with such modifications as may be necessary under the laws of Canada and Mexico, (i) such Person has been duly formed and is validly existing and in good standing under the laws of the respective jurisdiction identified in this Indenture and is duly qualified to do business in said jurisdiction and has the power and authority to enter into and perform its obligations under the Transaction Documents to which such Person is a party; (ii) this Indenture and each other Transaction Document to which such Person is a party (other than the Notes) has been duly authorized, executed and delivered by such Person and constitutes the valid, legal and binding agreement of such Person, enforceable in accordance with its terms; (iii) with respect to each Issuer, the Notes have been duly authorized by such Issuer and, when issued and authenticated in accordance with the terms of the Indenture, will be valid and binding, joint and several obligations of the Issuers enforceable in accordance with their terms; (iv) the execution, delivery and performance by such Person of its obligations under the Indenture, the Notes or any other Transaction Document to which such Person is a party will not conflict with or violate any of the organizational documents of such Person or any applicable Law or order, rule or regulation of any court, administrative agency or other governmental authority having jurisdiction over such Person; (v) no consent, approval or authorization of any governmental authority is required for the execution and delivery by such Person of the Indenture, the Notes or any other Transaction Document to which such Person is a party except as shall have been therefore received and except as may be required under the

securities or "blue sky" laws of various jurisdictions in connection with the delivery of the Notes; (vi) such Person has full power and authority to assign, pledge, hypothecate and deposit all of its right, title and interest in and to the Leases, the Railcars and the other Collateral owned thereby to the Issuers, in the case of the Sellers, and to the Indenture Trustee, in the case of the Issuers, free from any Lien (other than any Permitted Lien), security interest, encumbrance or other right, title or interest of any person, subject, however, to the rights of the Lessees in the Railcars under the related Leases; (vii) to the extent Article 9 of the UCC is applicable, the Indenture, together with the filing of UCC-1 financing statements in the filing offices to be identified in such opinion or opinions is effective to Grant to and create in favor of the Indenture Trustee for the benefit of the Secured Parties as security for the Notes, a perfected security interest in the Leases, the Railcars and the other Collateral owned by such Issuer; (viii) the offer and sale of the Notes under the circumstances contemplated by each Purchase Agreement is exempt from the registration requirements of the Securities Act, and no qualification of the Indenture is required under the Trust Indenture Act of 1939, as amended; and (ix) with respect to each Issuer, such Issuer is not an "investment company" required to register as such under the Investment Company Act of 1940, as amended;

(e) an Opinion of Counsel with respect to certain matters relating to filings required to be made with the STB in respect of the security interest of the Indenture Trustee in each Railcar and any related Existing Lease (other than Excepted Leases) (which opinions may rely upon one or more Officer's Certificates from the related Issuer as to matters of fact and which may be based on such assumptions and subject to such exceptions, limitations and qualifications as are customarily contained in opinions of this nature) and substantially to the effect that (a) the U.S. Filed Documents have been prepared for filing with the STB in compliance with the relevant STB Filings Requirements; (b) except for the filing of the U.S. Filed Documents, no consent, approval, authorization or order of, or registration with, the STB or with any other governmental authority or regulatory body is required with respect to perfection of the assignments of the Existing Leases and the security interest in the Existing Leases and the Railcars contemplated by the Indenture; (c) other than the U.S. Filed Documents and such exceptions as may be agreed upon by the Class A Note Insurer, no document evidencing a Lien and encumbrance on, or security interest in, the Initial Railcars appears in the recordation files and records maintained by the STB pursuant to the relevant STB filing requirements; and (d) under the relevant STB filing requirements, upon the STB's recordation of the U.S. Filed Documents, such filing and recordation constitutes notice to, and such U.S. Filed Documents will be enforceable against, all persons (subject to such exceptions as may be agreed upon by the Class A Note Insurer and no other filing, depositing, registering or recording under any law of the United States, a state within the United States (or its political subdivisions) or territory or possession of the United States, is necessary to protect the interests of the parties to the U.S. Filed Documents in the Initial Railcars, and no re-recording, re-filing or re-registering of any of the foregoing documents with the STB is necessary to continue such notice and enforceability under present law and regulations;

(f) an Opinion of Counsel with respect to certain matters relating to filings required to be made with the Canadian Regulator in respect of the security interest of Indenture Trustee in each Canadian Railcar and Canadian Lease (which opinions may rely upon one or more Officer's Certificates from CARCAT as to matters of fact and which may be based upon such assumptions and subject to such exceptions, limitations and qualifications as are customarily contained in opinions of this nature) and substantially to the effect that

(i) the Canadian Filed Documents have been prepared for filing with the Canadian Regulator in compliance with the requirements of the Canadian Regulator;

(ii) the deposit of the Canadian Filed Documents will protect the rights of the Indenture Trustee in and to the Canadian Railcars and Canadian Leases and no other filing, recording, deposit or registration is necessary in Canada or in any province or territory thereof to protect such rights;

(iii) the Canadian Filed Documents are valid against all persons; and

(iv) no document evidencing a currently outstanding lease, mortgage, hypothec, bailment or security interest or any amendment or assignment thereto was located in the database maintained by the Canadian Regulator with respect to the Railcars;

(g) an Opinion of Counsel (which may rely upon one or more Officer's Certificates as to matters of fact and which may be based on such assumptions and subject to such exceptions, limitations and qualifications as are customarily contained in opinions of this nature) substantially to the effect that, in the event that The Andersons were to become a debtor under the bankruptcy laws of the United States or Canada, a court would not order the substantive consolidation of Holdco, any Seller or any Issuer with any such debtor;

(h) an Officer's Certificate of each Issuer stating that such Issuer is not in Default under this Indenture and there is no Event of Default hereunder and that the issuance of the Notes will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, such Issuer's Certificate of Formation or other corporation formation document, as applicable, or operating agreement or other organizational or constitutional document, as applicable, or any indenture, mortgage, deed of trust or other agreement or instrument to which such Issuer is a party or by which such Issuer is bound, or any order of any court or administrative agency entered in any Proceeding to which such Issuer is a party or by which it may be bound or to which it may be subject; and that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes have been complied with and an Officer's Certificate of each Seller to the effect that all of such Seller's representations and warranties in the Sale Agreements were accurate as of the time made;

(i) a copy of an officially certified document, dated not more than 30 days prior to the Closing Date, evidencing the due organization and good standing of each Issuer, the Servicer, the Manager and each Seller in their respective jurisdictions of incorporation or formation, as applicable;

(j) copies of the corporate formation documents of each Issuer, the Servicer, the Manager and each Seller;

(k) the initial Lease and Railcar Schedule;

(l) except in respect of those Leases identified on Schedule IV hereto, the sole original executed counterpart of each Lease, including any amendments or modifications thereto, subject to such exceptions as shall have been approved by the Controlling Party, as provided in Section 7.13 (and the Indenture Trustee shall have delivered to the Servicer, the Manager, the Issuers, the Class A Note Insurer and the Holders a certificate in the form attached hereto as Exhibit C to the effect that the Indenture Trustee has received each such Lease);

(m) evidence that the Indenture Trustee has established the Collection Accounts, the Cash Collateral Accounts, the Operating Expense Reserve Account (including the NARCAT OER Subaccount and the CARCAT OER Subaccount), the Prefunding Account and the Policy Payment Account (including the NARCAT Policy Payment Subaccount and the CARCAT Policy Payment Subaccount) and evidence of the funding of the Cash Collateral Accounts and the Prefunding Account;

(n) a certificate from each Issuer to the effect that, in the case of each Lease, Railcar and other Railcar Assets being transferred pursuant to its related Sale Agreement immediately prior to the delivery thereof to the Indenture Trustee:

(i) each Issuer (A) is the owner of each Lease and Railcar transferred to it pursuant to its respective Sale Agreement free from any Lien, security interest, encumbrance or other right, title or interest of any Person known to the Issuer, other than the rights of the Lessee or sublessee under the Lease and the security interest assigned to the Indenture Trustee pursuant to the Indenture, (B) has not assigned any interest or participation in such Lease or Railcar (or, if any such interest or participation has been assigned, it has been released), and (C) has full right to Grant such Lease and Railcar to the Indenture Trustee;

(ii) the information set forth with respect to each such Lease, Railcar and other Railcar Assets transferred to it pursuant to its respective Sale Agreement in the initial Lease and Railcar Schedule is correct in all material respects;

(iii) the Issuer has Granted to the Indenture Trustee all of its right, title, and interest in each Lease, Railcar and other Railcar Assets transferred to it pursuant to its respective Sale Agreement; and

(iv) each lease, railcar and other related asset transferred to it pursuant to its respective Sale Agreement constitutes a Lease, Railcar or Railcar Asset;

(o) a rating letter issued by each of the Rating Agencies to the Issuers, the Class A Note Insurer and the Indenture Trustee assigning a rating to the Class A Notes of "AAA" by S&P and "AAA" by Fitch and a rating to the Class B Notes of "B" by S&P;

(p) such lien searches and releases of liens as the Indenture Trustee or the Class A Note Insurer deems necessary to establish that the Non-Mexican Collateral of each Issuer and the Seller (including, without limitation, the Non-Mexican Collateral owned by each Issuer on the Closing Date) are free and clear of any Liens other than Permitted Liens;

(q) appraisals of the Railcars issued by RailSolutions, Inc., and D. W. Beary & Associates, Inc., together with letters reaffirming the values set forth therein as of January 30, 2004; and

(r) such other documents as the Indenture Trustee, the Class A Note Insurer or the Holders may reasonably require.

Section 4.02. Post-Closing Filings. Each Issuer shall file, or cause to be filed, no later than the Closing Date, the applicable UCC financing statements described below:

(a) to perfect the U.S. Seller's transfer pursuant to the NARCAT Sale Agreement of its interest in the U.S. Article 9 Assets to NARCAT, a UCC financing statement in Delaware (the state in which the U.S. Seller is organized), naming the U.S. Seller as debtor, NARCAT as intermediate assignor and the Indenture Trustee as secured party;

(b) to perfect NARCAT's pledge of its interest in the U.S. Article 9 Assets to the Indenture Trustee pursuant to the Indenture, a UCC financing statement in Delaware (the state in which NARCAT is organized), naming NARCAT as debtor and the Indenture Trustee as secured party;

(c) to perfect (to the extent effective) the Canadian Seller's transfer pursuant to the CARCAT Sale Agreement of its interest in the Canadian Article 9 Assets to CARCAT, a UCC financing statement in each of the District of Columbia and Ohio, naming the Canadian Seller as debtor, CARCAT as intermediate assignor and the Indenture Trustee as secured party;

(d) to perfect (to the extent effective) CARCAT's pledge of its interest in the Canadian Article 9 Assets to the Indenture Trustee pursuant to the Indenture, a UCC financing statement in each of the District of Columbia and Ohio, naming CARCAT as debtor and the Indenture Trustee as secured party;

(e) to perfect (to the extent effective) the Mexican Seller's transfer pursuant to the NARCAT Mexico Sale Agreement of its interest in the Mexican Article 9 Assets to NARCAT Mexico, a UCC financing statement in each of the District of Columbia and Ohio, naming the Mexican Seller as debtor, NARCAT Mexico as intermediate assignor and the Indenture Trustee as secured party;

(f) to perfect (to the extent effective) NARCAT Mexico's pledge of its interest in the Mexican Article 9 Assets to the Indenture Trustee pursuant to the Indenture, a UCC financing statement in each of the District of Columbia and Ohio, naming NARCAT Mexico as debtor and the Indenture Trustee as secured party;

(g) to perfect the transfer to the Canadian Seller pursuant to the Asset Purchase Agreement of its interest in the Canadian Railcars and Canadian Leases, a financing statement filed pursuant to the Personal Property Security Act (Nova Scotia) naming 3079936 Nova Scotia Company as assignor/debtor and the Canadian Seller as assignee/secured party;

(h) to perfect the Canadian Seller's transfer pursuant to the CARCAT Sale Agreement of its interest in the Canadian Railcars and Canadian Leases to CARCAT, a financing statement filed pursuant to the laws of the Personal Property Security Act (Nova Scotia) naming the Canadian Seller as assignor/debtor and CARCAT as assignee/secured party; and

(i) to perfect CARCAT's pledge of its interest in the Canadian Railcars and Canadian Leases to the Indenture Trustee pursuant to the Indenture, a financing statement pursuant to the Personal Property Security Act (Nova Scotia) naming CARCAT as debtor and the Indenture Trustee as secured party.

ARTICLE V

SATISFACTION AND DISCHARGE

Section 5.01. Satisfaction and Discharge of Indenture. This Indenture shall cease to be of further effect (except as to any surviving rights of registration of transfer and exchange or payment) with respect to any Notes and the Indenture Trustee, on demand of and at the expense of the Issuers, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to such Notes and shall pay, assign, transfer and deliver to the Issuers upon an Issuer Order acknowledged and agreed to in writing by the Controlling Party all cash, securities and other property held by it as part of the Collateral (except for amounts required to pay and discharge the entire remaining indebtedness of the Notes), when

(a) either

(i) all Notes theretofore authenticated and delivered (other than (A) Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 3.07, and (B) Notes for whose payment

money has theretofore been deposited in trust as provided in Section 11.03) have been delivered to the Indenture Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Indenture Trustee for cancellation have become due and payable and the Issuers have irrevocably deposited or caused to be deposited with the Indenture Trustee, in trust for the purpose, an amount sufficient to pay and discharge the principal amount, interest and premium, if any, due on such Notes not theretofore delivered to the Indenture Trustee for cancellation; and

(b) payment in full of (i) all fees and expenses of the Indenture Trustee, the Servicer, the Manager, the Backup Servicer and the Backup Manager, (ii) all amounts owing to the Class A Note Insurer (including, without limitation, any early termination fee payable under the Insurance Agreement) and (iii) all other obligations of the Issuers under the Transaction Documents.

Section 5.02. Application of Trust Money. Subject to the last paragraph of Section 11.03, all monies deposited with the Indenture Trustee pursuant to Section 5.01 shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to the payment, either directly or through any Paying Agent as the Indenture Trustee may determine, to the Persons entitled thereto, of the principal and interest for whose payment such money has been deposited with the Indenture Trustee; but such money need not be segregated from other funds except to the extent required herein or to the extent required by law.

ARTICLE VI

DEFAULTS AND REMEDIES

Section 6.01. Events of Default. "Event of Default," wherever used herein, means any one of the following events:

(a) failure of the Issuers to make any payment of interest on the Class A Notes when due on any Payment Date or, if no Class A Notes shall then be Outstanding, failure of the Issuers to make any payment of interest on the Class B Notes when due on any Payment Date;

(b) after giving effect to all Basic Principal Payments, any Supplemental Principal Payments, and any Scheduled Class B Payments made on any Payment Date, the Note Principal Balance of all Notes is greater than the Stated Value of all Eligible Railcars as of the immediately preceding Accounting Date;

(c) default in the performance, or breach, of any material covenant, agreement, or other obligation of any Issuer in any Transaction Document or any representation or warranty (other than a covenant or warranty default in the performance of which or breach of which is specifically dealt with elsewhere in this Section 6.01) of any Issuer in any Transaction Document proves to be incorrect at the time made in any

material respect, and continuance of such default or breach for a period of 30 days after the earlier of (i) actual knowledge by any of the Issuers, the Manager or the Servicer or (ii) there shall have been given to the Issuers by the Indenture Trustee or to the Issuers and the Indenture Trustee by the Controlling Party, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder;

(d) the entry of a decree or order for relief by a court having jurisdiction over any Issuer under the United States Bankruptcy Code or in a Canadian Insolvency Proceeding or any other applicable federal, state or foreign bankruptcy or insolvency law, or appointing a receiver, liquidator, assignee, trustee, or sequestrator (or other similar official) of such Issuer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such involuntary decree or involuntary order unstayed and in effect for a period of 30 consecutive days;

(e) the institution by any Issuer of Proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency Proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under the United States Bankruptcy Code or any other applicable federal, state or foreign law, the commencement of a Canadian Insolvency Proceeding by or against any Issuer or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of such Issuer or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of action by any Issuer in furtherance of any such action;

(f) the Indenture shall cease to be in full force and effect or the Liens in existence and in connection therewith cease to be valid, first priority perfected security interests in the Issuers' interests in the Non-Mexican Collateral, subject only to Permitted Liens;

(g) any Issuer becomes required to register as an "investment company" within the meaning of the Investment Company Act of 1940, as amended;

(h) a writ of attachment or similar action or process has been filed against a Collection Account, a Cash Collateral Account, the Operating Expense Reserve Account (including the NARCAT OER Subaccount or the CARCAT OER Subaccount), the Policy Payment Account (including the NARCAT Policy Payment Subaccount or the CARCAT Policy Payment Subaccount), the Prefunding Account or any Lockbox Account, or any other component of the Collateral and such writ or other action or process shall not have been stayed or dismissed within 30 days from the entry thereof;

(i) entry of final judgment of a court of competent jurisdiction against any of the Issuers in an amount exceeding \$1,000,000, which judgment remains unsatisfied and unstayed for a period exceeding 30 days from the entry thereof;

(j) NARCAT becomes subject to taxation as an association (or publicly traded partnership) taxable as a corporation, or any other Issuer becomes subject to taxation as an association (or publicly traded partnership) under the U.S. Tax Code;

(k) any draw on the Class A Note Policy;

(l) failure to have repaid any Note in full on the Stated Legal Maturity Date;

(m) the occurrence of a reportable event (within the meaning of Section 4043 of ERISA) with respect to any Benefit Plan, or the occurrence of any event or condition with respect to a Benefit Plan which reasonably could be expected to result in the imposition of a Lien on all or part of any Collateral;

(n) a Manager Event of Termination has occurred and is continuing and (i) the Backup Manager has not assumed the duties of Manager and (ii) the Controlling Party is unable to find an acceptable replacement Manager who succeeds to the role of "Manager" within 30 days after the Indenture Trustee gives notice of such termination as provided in the Management Agreement;

(o) a Servicer Event of Termination has occurred and is continuing and (i) the Backup Servicer has not assumed the duties of Servicer and (ii) the Controlling Party is unable to find an acceptable replacement Servicer who succeeds to the role of "Servicer" within 30 days after the Indenture Trustee gives notice of such termination as provided in the Servicing Agreement; or

(p) any failure to pay income or withholding taxes following notice to an Issuer from the relevant governmental agency and the expiration of any statutory grace periods, which has given rise to the ability of a relevant governmental agency to perfect a governmental Lien on all or any material part of the Collateral.

Section 6.02. Acceleration of Maturity; Rescission and Annulment. If an Event of Default pursuant to Section 6.01(a)-(c) or (f)-(p) occurs and is continuing, then and in every such case the Indenture Trustee with the consent of the Controlling Party may, and at the direction of the Controlling Party shall, declare the principal of all the Notes to be immediately due and payable, by a notice in writing to the Issuers, the Class A Note Insurer and the Holders. Upon any such declaration such principal shall become immediately due and payable without any presentment, demand, protest or other notice of any kind (except such notices as shall be expressly required by the provisions of this Indenture), all of which are hereby expressly waived. If an Event of Default pursuant to Section 6.01(d) or (e) occurs and is continuing, then in such case the principal of all the Notes shall be automatically due and payable without any presentment, demand, protest or other notice of any kind (an "Automatic Acceleration").

At any time after such a declaration of acceleration has been made, but before any Sale of the Collateral has been made or a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as hereinafter in this Article VI provided, the Controlling Party, by written notice to the Issuers and the Indenture Trustee, may rescind and annul such

declaration and its consequences (except that in the case of (A) a default (i) in payment of interest when due or (ii) in payment of principal on the Stated Legal Maturity Date with respect to the Class A Notes (unless the payment in question has been made by the Class A Note Insurer pursuant to the Class A Note Policy) or, (B) if no Class A Notes are Outstanding, a payment default on the Class B Notes, the consent of all of the Holders of such Class shall be required to rescind and annul such a declaration and its consequences) if

(a) the Issuers have paid or deposited with the Indenture Trustee a sum sufficient to pay:

(i) all interest which has been become due and payable on all Class A Notes or, if no Class A Notes are Outstanding, the Class B Notes,

(ii) the principal of any Class A Notes or, if no Class A Notes are Outstanding, the Class B Notes, which has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by such Notes,

(iii) to the extent that payment of such interest is lawful, interest upon Overdue Interest on the Notes at the rate borne by such Notes to the date of such payment or deposit, and

(iv) all sums paid or advanced by the Indenture Trustee, the Class A Note Insurer or any Holder hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, the Class A Note Insurer and the Holders, their agents and counsel to the date of such payment or deposit;

and

(b) all Events of Default, other than the nonpayment of the principal of the Notes which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 6.15.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 6.03. Payment Obligations upon Acceleration. Each Issuer covenants that if an Event of Default shall occur and be continuing with respect to any Notes, and the Notes have been declared due and payable and such declaration has not been rescinded and annulled, or there has been an Automatic Acceleration, the Issuers will, upon demand of the Indenture Trustee (acting at the direction of the Controlling Party), pay to the Indenture Trustee, for the benefit of the Holders of Notes and the Class A Note Insurer, the whole amount then due and payable on such Notes for principal and interest, with interest upon any Overdue Basic Principal Payment and Deferred Supplemental Principal Payment and, to the extent that payment of such interest shall be legally enforceable, upon Overdue Interest, at the Overdue Rate, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection,

including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel.

Section 6.04. Remedies. If an Event of Default shall have occurred and be continuing, the Indenture Trustee, in its own name and as trustee of an express trust, may, with the consent of the Controlling Party, or shall, acting at the direction of the Controlling Party, do one or more of the following:

(a) institute Proceedings for the collection of all amounts then payable on the Notes, payable to the Class A Note Insurer and otherwise payable under this Indenture, whether by declaration or otherwise, prosecute such Proceeding to judgment or final decree, and enforce the same against the Issuers and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Issuers, wherever situated;

(b) proceed to protect and enforce its rights and the rights of the Holders, by such appropriate Proceedings as may be consented to or directed by the Controlling Party, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power Granted herein, or to enforce any other proper remedy;

(c) sell the Collateral or any portion thereof or rights or interest therein, at one or more Sales called and conducted in any manner permitted by law;

(d) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(e) notify Lessees to make payments directly on such account as shall be designated by the Controlling Party (the Indenture Trustee to use Lessee contact information provided to it by the Controlling Party);

(f) appoint by instrument in writing one or more receivers, managers or receivers and managers of one or more of the Issuers or any or all of the Collateral with such rights, powers and authority (including any or all of the rights, powers and authority of the Indenture Trustee under this Indenture) as may be provided for in the instrument of appointment or any supplemental instrument, and remove and replace any such Receiver from time to time. To the extent permitted by applicable Law, any receiver, manager or receiver and manager appointed by the Indenture Trustee will (for purposes relating to responsibility for the receiver's, manager's or receiver and manager's acts or omissions) be considered to be the agent of the applicable Issuer and not of the Indenture Trustee, the Class A Note Insurer or any of the Holders;

(g) apply to a court of competent jurisdiction for the appointment of a receiver, a manager or a receiver and manager of one or more of the Issuers or of any or all of the Collateral; and

(h) exercise any remedies of a secured party under the Uniform Commercial Code or other applicable Law and take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee, the Class A Note Insurer or the Holders of the Notes hereunder.

Section 6.05. Optional Preservation of Collateral. If (a) an Event of Default shall have occurred and be continuing and (b) no Automatic Acceleration has occurred, and no Notes have been declared due and payable or such declaration and its consequences have been annulled and rescinded, the Indenture Trustee, upon direction from the Controlling Party, by giving written notice of such election to the Issuers, shall take possession of and retain the Collateral intact, collect or cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of such Notes in accordance with the provisions of Article XII of this Indenture. If the Indenture Trustee is unable to or is stayed from giving such notice to the Issuers for any reason whatsoever, such election shall be effective as of the time of such determination or request, as the case may be, notwithstanding any failure to give such notice, and the Indenture Trustee shall give such notice upon the removal or cure of such inability or stay (but shall have no obligation to effect such removal or cure). Any such election may be rescinded with respect to any Collateral remaining at the time of such rescission by written notice to the Indenture Trustee and the Issuers from the Controlling Party.

Section 6.06. Indenture Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial Proceeding relating to any Issuer or any other obligor upon any of the Notes or the property of any Issuer or of such other obligor or their creditors, the Indenture Trustee (irrespective of whether the principal of the Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Indenture Trustee shall have made any demand on the Issuers for the payment of Overdue Basic Principal Payments or Overdue Interest) shall be entitled and empowered, to intervene, at the direction of the Controlling Party, in such Proceeding or otherwise,

(a) to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Notes issued hereunder and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel and any other amounts due the Indenture Trustee under Section 7.07), the Class A Note Insurer and of the Holders allowed in such judicial Proceeding, and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, or sequestrator (or other similar official) in any such judicial Proceeding is hereby authorized by the Class A Note Insurer and each Holder to make such payments to the Indenture Trustee, and in the event that the Indenture Trustee shall consent to the making of such payments directly to the Class A Note Insurer or the Holders, to pay to the Indenture Trustee any amount due to it for the reasonable compensation, expenses,

disbursements and advances of the Indenture Trustee, its agents and counsel, and any other amounts due the Indenture Trustee under Section 7.07.

Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or accept or adopt on behalf of the Class A Note Insurer or any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of the Class A Note Insurer or any Holder thereof, or to authorize the Indenture Trustee to vote in respect of the claim of the Class A Note Insurer or any Holder in any such Proceeding.

Section 6.07. Indenture Trustee May Enforce Claims Without Possession of Notes. All rights of actions and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Notes and the Class A Note Insurer.

Section 6.08. Application of Money Collected. (a) If the Notes have become accelerated pursuant to Section 6.02, any money collected by the Indenture Trustee pursuant to this Article VI, and all monies available in the Collection Accounts shall be applied (after giving effect to the Source of Funds Requirements and any transfers made pursuant to the Funds Transfer Agreement, unless otherwise directed by the Controlling Party) in the following order on each Payment Date (it being understood that if the Notes have not been accelerated pursuant to Section 6.02, Available Funds shall be distributed pursuant to Section 12.02(d)):

(i) to the Tax Payment Recipients, any Tax Payment Amounts then due and owing by any Issuer;

(ii) to the Indenture Trustee, the Backup Manager and the Backup Servicer, *pari passu*, all fees and expenses related to the exercise of remedies under any Transaction Document (up to a maximum of \$150,000 or such higher amount as may be consented to by the Controlling Party) and the Trustee Fee, the Backup Manager Fee and the Backup Servicer Fee, respectively;

(iii) to the Lessees entitled thereto, any Railroad Mileage Credits to which they are entitled under the Leases;

(iv) to the Class A Note Insurer and the Indenture Trustee, *pari passu*, all out-of-pocket expenses incurred in connection with the transition to a successor Manager; provided, however, that the aggregate amount payable under this clause, together with any corresponding payments paid in accordance with Section 12.02(d) with respect to any one such transition shall not exceed \$200,000;

(v) to the Manager, the Manager Fee;

(vi) to the Manager for reimbursement for Operating Expenses made by the Manager in excess of amounts available therefor which are held in the Operating Expense Reserve Account; provided, however, that the aggregate amount payable on any Payment Date pursuant to this clause, together with any corresponding payments paid in accordance with Section 12.02(d), shall not exceed the Capped Manager Reimbursement;

(vii) to the Class A Note Insurer and the Indenture Trustee, *pari passu*, all out-of-pocket expenses incurred in connection with the transition to a successor Servicer; provided, however, that the aggregate amount payable under this clause, together with any corresponding payments paid in accordance with Section 12.02(d), with respect to any one such transition shall not exceed \$100,000;

(viii) to the Servicer, the Servicer Fee;

(ix) to the Indenture Trustee, for deposit in the Operating Expense Reserve Account, the applicable Operating Expense Deposit Amounts for the CARCAT OER Subaccount and the NARCAT OER Subaccount, subject to the provisions of Section 12.04(a);

(x) to the Holders of the Class A Notes, *pari passu*, an amount equal to the Class A Note Interest; provided, however, that, notwithstanding the foregoing, the Class A Note Insurer shall be entitled to receive, to the extent of Available Funds, all Incremental Class A Interest and all Class A Overdue Interest to the extent of any interest payments made by the Class A Note Insurer under, and in compliance with, the Class A Note Policy and interest thereon accruing at the Overdue Rate;

(xi) to the Class A Note Insurer, accrued Premium due with respect to the Class A Note Policy, reimbursement of any claims under the Class A Note Policy with respect to draws to pay Class A Note Interest, including any Class A Overdue Interest owed with respect thereto, any Incremental Class A Interest and, in an amount not to exceed \$50,000 in any calendar year, any other fees, expenses and indemnities owing to the Class A Note Insurer, together in each case with any interest thereon;

(xii) to the Indenture Trustee, for deposit to the NARCAT Cash Collateral Account and the CARCAT Cash Collateral Amount, *pari passu*, such amounts necessary to cause the amounts held therein to equal the Required NARCAT Cash Collateral Amount and the Required CARCAT Cash Collateral Amount, respectively;

(xiii) to the Holders of the Class A Notes, *pari passu*, any remaining amounts until the Note Principal Balance of all Class A Notes has been reduced to zero;

(xiv) to the extent not previously paid, to the Class A Note Insurer, the amount of any unreimbursed claims paid by the Class A Note Insurer under the Class A Note Policy with respect to principal on the Class A Notes, and any fees, expenses and indemnities owing to the Class A Note Insurer, together in each case with any interest owed thereon;

(xv) to the Holders of the Class B Notes, pari passu, an amount equal to the accrued but unpaid Class B Note Interest;

(xvi) to the Holders of the Class B Notes, pari passu, any remaining amounts until the Note Principal Balance of the Class B Notes has been reduced to zero;

(xvii) to the Indenture Trustee, the Backup Manager, the Backup Servicer and the Class A Note Insurer, pari passu, any fees, expenses and indemnities owing thereto but not previously paid;

(xviii) to the Manager, any expenses, indemnities and reimbursement payments owing thereto but not previously paid;

(xix) to the Servicer, any expenses, indemnities and reimbursement payments owing thereto but not previously paid;

(xx) to the Manager, the Supplemental Manager Fee; and

(xxi) to the Issuers.

Notwithstanding any other provision of this Indenture, funds paid to the Issuers pursuant to clause (xxi) above automatically shall be released from the Lien of this Indenture.

In making the withdrawals and payments required by this Section 6.08, the Indenture Trustee shall act in accordance with the Monthly Servicer Report and shall be fully protected in relying thereon, unless (x) a Responsible Officer has actual knowledge to the contrary or the Controlling Party has notified the Indenture Trustee that a Servicer Event of Termination has occurred and is continuing and has given instructions contrary to those contained in the Monthly Servicer Report, or (y) no Monthly Servicing Report has been delivered or the Controlling Party has instructed the Indenture Trustee that the Monthly Servicer Report is incorrect, in which case the Indenture Trustee shall rely upon the written instructions of the Controlling Party, and shall be fully protected in relying thereon.

Section 6.09. Limitation on Suits. No Holder of any Note shall have any right to institute any Proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(a) such Holder has previously given written notice to the Indenture Trustee and the Class A Note Insurer of a continuing Event of Default;

(b) the Controlling Party shall have made written request to the Indenture Trustee to institute Proceedings in respect of such Event of Default in its own name as Indenture Trustee hereunder;

(c) such Holder or Holders have offered to the Indenture Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceedings; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the Controlling Party;

it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes, or to obtain or to seek to obtain priority or preference over any other Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes and it being further understood that nothing in this Section 6.09 shall be deemed to permit any action prohibited by Section 15.13.

Section 6.10. Unconditional Right of Holders to Receive Principal and Interest. Notwithstanding any other provision in this Indenture, but subject to the priorities of payment provided for herein, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal and interest on such Note as such principal and interest become due and payable and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

Section 6.11. Restoration of Rights and Remedies. If the Indenture Trustee, the Class A Note Insurer or any Holder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Indenture Trustee, the Class A Note Insurer or to such Holder, then and in every case the Issuers, the Class A Note Insurer, the Indenture Trustee and the Holders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee, the Class A Note Insurer and the Holders shall continue as though no such Proceeding had been instituted.

Section 6.12. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Indenture Trustee, the Class A Note Insurer or to the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 6.13. Delay or Omission Not Waiver. No delay or omission of the Indenture Trustee, the Class A Note Insurer or of any Holder of any Note to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver

of any such Event of Default or any acquiescence therein. Every right and remedy given by this Article VI or by law to the Indenture Trustee, the Class A Note Insurer or to the Holders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee, the Class A Note Insurer or by the Holders, as the case may be.

Section 6.14. Control by Controlling Party. The Controlling Party shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee with respect to the Notes; provided that with respect to the Notes:

(a) such direction shall not be in conflict with any rule of law or with this Indenture, and

(b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee which is not inconsistent with such direction; provided, however, that, subject to Section 7.01, the Indenture Trustee need not take any action which the Indenture Trustee in good faith, by a Responsible Officer or Responsible Officers of the Indenture Trustee, determines might involve it in liability or be unjustly prejudicial to the Holders not consenting (unless the Indenture Trustee is furnished with the reasonable indemnity referred to in Section 6.14(c)); and

(c) the Indenture Trustee has been furnished reasonable indemnity against costs, expenses and liabilities which it might incur in connection therewith as provided in Section 7.01(f).

Section 6.15. Waiver of Past Defaults. The Controlling Party, by written notice to the Issuers and the Indenture Trustee, may, on behalf of the Class A Note Insurer and all Holders, waive any past Default or Event of Default hereunder and its consequences, except a Default or Event of Default:

(a) (I) in (i) the payment of the principal of any Note at the Stated Legal Maturity Date or (ii) the payment of interest with respect to the Class A Notes when due, unless, in either case, such amounts have been paid by the Class A Note Insurer (in which case, the Controlling Party may waive such Default an Event of Default); or (II) if no Class A Notes are Outstanding, a payment default on the Class B Notes; or

(b) in respect of a covenant or provision hereof which under Article IX cannot be modified or amended without the consent of the Holder of each Outstanding Note affected.

Upon any such waiver, such Default or Event of Default (and any Event of Default arising from any such Default) shall cease to exist and shall be deemed to have been cured for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

Section 6.16. Undertaking for Costs. All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 6.16 shall not apply to any suit instituted by the Indenture Trustee or the Class A Note Insurer, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Notes, or to any suit instituted by any Holder for the enforcement of the payment of the principal of, or premium, if any, or interest on any Note on or after the Stated Legal Maturity Date expressed in such Note.

Section 6.17. Waiver of Stay or Extension Laws. Each of the Issuers covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and each Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein Granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 6.18. Sale of Collateral. (a) The power to effect any sale (a "Sale") of any Collateral pursuant to Section 6.04 shall not be exhausted by any one or more Sales as to any Collateral remaining unsold, but shall continue unimpaired until all of the Collateral shall have been sold or all amounts payable on the Notes and under this Indenture with respect thereto shall have been paid. The Indenture Trustee may from time to time postpone any Sale by public announcement made at the time and place of such Sale. It is hereby expressly agreed that the Indenture Trustee is not limited to any amount fixed by law as compensation for any Sale.

(b) The Indenture Trustee or the Class A Note Insurer may bid for and acquire any Collateral in connection with a public Sale thereof, and in lieu of paying cash therefor, may make settlement for the purchase price by crediting against amounts owing on the Notes or other amounts secured by this Indenture, all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Indenture Trustee in connection with such Sale. The purchase by the Indenture Trustee or the Class A Note Insurer of any or all of the Collateral shall not be deemed a Sale or disposition thereof for purposes of Section 6.18(a). The Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against the Notes. The Indenture Trustee and the Class A Note Insurer may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law.

(c) The Indenture Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any of the Collateral in connection with a Sale thereof. In addition, the Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of

the Issuers to transfer and convey its interest in any of the Collateral in connection with a Sale thereof, and to take all action necessary to effect such Sale. Such power of attorney shall be deemed coupled with an interest and be irrevocable. No purchaser or transferee at such a sale shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

Section 6.19. Action on Notes. The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Indenture Trustee, the Class A Note Insurer or the Holders shall be impaired by the recovery of any judgment by the Indenture Trustee against any Issuer or by the levy of any execution under such judgment upon any of the Collateral or upon any of the assets of any Issuer.

ARTICLE VII

THE INDENTURE TRUSTEE

Section 7.01. Certain Duties and Responsibilities. (a) Except during the continuance of an Event of Default known to the Indenture Trustee as provided in subsection (e) below:

(i) The Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture.

(b) If an Event of Default known to the Indenture Trustee as provided in subsection (e) below has occurred and is continuing, the Indenture Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this subsection (c) shall not be construed to limit the effect of subsection (a) of this Section 7.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Controlling Party relating to the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee under this Indenture; and

(iv) no provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section 7.01.

(e) For all purposes under this Indenture, the Indenture Trustee shall not be deemed to have notice of any Event of Default described in Section 6.01(d) or 6.01(e), any Default described in Section 6.01(c), any Servicer Termination Event, any Manager Termination Event or any Rapid Amortization Event unless a Responsible Officer assigned to and working in the Indenture Trustee's corporate trust department has actual knowledge thereof or unless written notice of any such event is received by the Indenture Trustee at the Corporate Trust Office, and such notice references the Notes, the Issuers, the Collateral or this Indenture.

(f) The Indenture Trustee shall be under no obligation to institute any suit, or to take any remedial Proceeding under this Indenture, or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements and against all liability, except liability that is adjudicated, in connection with any action so taken.

(g) Notwithstanding any extinguishment of all right, title and interest of the Issuers in and to the Collateral following an Event of Default and a consequent declaration of acceleration of the maturity of the Notes, whether such extinguishment occurs through a Sale of the Collateral to another Person, the acquisition of the Collateral by the Indenture Trustee with respect to the Collateral (or the proceeds thereof), and the rights of the Holders shall continue to be governed by the terms of this Indenture.

(h) Notwithstanding anything to the contrary contained herein, the provisions of subsections (e) through (g), inclusive, of this Section 7.01 shall be subject to the provisions of subsections (a) through (c), inclusive, of this Section 7.01.

Section 7.02. Notice of Defaults, Events of Default, Servicer Termination Events, Manager Events of Termination and Rapid Amortization Events. Within two Business Days after the occurrence of any Default, Event of Default, Servicer Termination Event, Manager

Event of Termination or Rapid Amortization Event known to the Indenture Trustee, the Indenture Trustee shall transmit by facsimile communication confirmed by mail to the Class A Note Insurer and by mail to all Holders of Notes, as their names and addresses appear on the Note Register, notice of such Default, Event of Default, Servicer Termination Event, Manager Event of Termination or Rapid Amortization Event known to the Indenture Trustee, unless such Default, Event of Default, Servicer Termination Event, Manager Event of Termination or Rapid Amortization Event shall have been cured or waived.

Section 7.03. Certain Rights of Indenture Trustee. Except as otherwise provided in Section 7.01,

(a) the Indenture Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other obligation, paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuers mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, and any resolution of any Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Indenture Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Indenture Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of the Class A Note Insurer or any of the Holders pursuant to this Indenture, unless the Class A Note Insurer or such Holders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but the Indenture Trustee, at the direction of the Controlling Party, shall make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be

entitled to examine the books, records and premises of each Issuer, upon reasonable notice and at reasonable times personally or by agent or attorney; and

(g) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 7.04. Not Responsible for Recitals or Issuance of Notes. (a) The recitals contained herein and in the Notes, except the certificates of authentication on the Notes, shall be taken as the statements of the Issuers, and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representations as to the validity or condition of the Collateral or any part thereof, or as to the title of the Issuers thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Indenture Trustee hereunder or as to the validity or sufficiency of this Indenture or of the Notes. The Indenture Trustee shall not be accountable for the use or application by any Issuer of Notes or the proceeds thereof or of any money paid to any Issuer under any provisions hereof.

(b) Except as otherwise expressly provided herein and without limiting the generality of the foregoing, the Indenture Trustee shall have no responsibility or liability for or with respect to the existence or validity of any Railcar or Lease, the perfection of any security interest (whether as of the date hereof or at any future time), the maintenance of or the taking of any action to maintain such perfection, the validity of the assignment of any portion of the Collateral to the Indenture Trustee or of any intervening assignment, the review of any Lease (it being understood that the Indenture Trustee has not reviewed and does not intend to review the substance or form of any such Lease) the performance or enforcement of any Lease, the compliance by the Issuers, the Sellers, the Manager or the Servicer with any covenant or the breach by the Issuers, the Sellers, the Manager or the Servicer of any warranty or representation made hereunder or in any related document or the accuracy of any such warranty or representation, any investment of monies in the Collection Accounts, the Cash Collateral Accounts, the Operating Expense Reserve Account (including the NARCAT OER Subaccount and the CARCAT OER Subaccount) or the Prefunding or any loss resulting therefrom, the acts or omissions of the Issuers, the Class A Note Insurer, the Sellers, the Manager, the Servicer, or any Lessee, any action of the Servicer, the Manager or the Sellers taken in the name of the Indenture Trustee, or the validity of the Servicing Agreement, the Management Agreement or the Sale Agreements.

(c) The Indenture Trustee shall not have any obligation or liability under any Lease by reason of or arising out of this Indenture or the Granting of a security interest in such Lease hereunder or the receipt by the Indenture Trustee of any payment relating to any Lease pursuant hereto, nor shall the Indenture Trustee be required or obligated in any manner to perform or fulfill any of the obligations of the Issuers under or pursuant to any Lease, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it, or the sufficiency of any performance by any party, under any Lease.

Section 7.05. May Hold Notes. The Indenture Trustee, the Servicer, the Manager, any Paying Agent, the Note Registrar or any other agent of the Issuers, in its individual or any other capacity, may become the owner or pledgee of Notes and if operative, may otherwise deal with the Issuers with the same rights it would have if it were not Indenture Trustee, Servicer, Manager, Paying Agent, Note Registrar or such other agent.

Section 7.06. Money Held in Trust. Money held in trust by the Indenture Trustee or any Paying Agent hereunder need not be segregated from other funds except to the extent required herein or required by law. The Indenture Trustee or any Paying Agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Issuers or provided herein.

Section 7.07. Compensation and Reimbursement. The Issuers agree, jointly and severally, to make payment to the Indenture Trustee of the following (provided that any amounts payable below shall be paid only pursuant to Section 12.02(d) or Section 6.08 or from other funds available to the Issuers that are not subject to the Lien of the Indenture):

(a) the Trustee Fee (which shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, such amount as may be necessary to reimburse the Indenture Trustee upon its request for all extraordinary out-of-pocket expenses (including, without limitation, any out-of-pocket expenses incurred in connection with providing copies of the Transaction Documents and other documents to the Secured Parties and other interested parties), disbursements and advances incurred or made by the Indenture Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of the Indenture Trustee's agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) such amount as may be necessary to indemnify the Indenture Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

Section 7.08. Corporate Indenture Trustee Required; Eligibility. There shall at all times be a Indenture Trustee hereunder which shall be a national banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$100,000,000, subject to supervision or examination by federal or state authority, satisfactory to the Controlling Party and having an office within the United States of America. If such national banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 7.08, the combined capital and surplus of such national banking association shall be

deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section 7.08, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VII.

Section 7.09. Resignation and Removal; Appointment of Successor. (a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article VII shall become effective until the acceptance of appointment by the successor Indenture Trustee under Section 7.10.

(b) The Indenture Trustee may resign at any time by giving 30 days' prior written notice thereof to the Issuers, the Class A Note Insurer and each Holder. If an instrument of acceptance by a successor Indenture Trustee shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee. Such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor Indenture Trustee.

(c) The Indenture Trustee may be removed at any time by the Controlling Party by notice delivered to the Indenture Trustee and to the Issuers.

(d) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Indenture Trustee for any reason, the Controlling Party shall promptly appoint a successor Indenture Trustee. Such successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Indenture Trustee and supersede the successor Indenture Trustee appointed by the Controlling Party. If no successor Indenture Trustee shall have been so appointed by the Controlling Party within one year after such resignation, removal or incapability or the occurrence of such vacancy, and shall have accepted appointment in the manner hereinafter provided, any Holder who has been a Registered Holder of a Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) The Issuers shall give notice to each of the Holders in the manner provided in Section 15.04 of each resignation and each removal of the Indenture Trustee and each appointment of a successor Indenture Trustee. Each notice shall include the name of the successor Indenture Trustee and the address of its Corporate Trust Office.

Section 7.10. Acceptance of Appointment by Successor. Every successor Indenture Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuers, the Class A Note Insurer and the retiring Indenture Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Indenture Trustee shall become effective and such successor Indenture Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Indenture Trustee; but, on request of the Issuers or the successor Indenture Trustee, such retiring Indenture Trustee shall, upon payment of its reasonable charges, execute and deliver an instrument transferring to such

successor Indenture Trustee all the rights, powers and trusts of the retiring Indenture Trustee, and shall duly assign, transfer and deliver to such successor Indenture Trustee all property and money held by such retiring Indenture Trustee hereunder. Upon request of any such successor Indenture Trustee, the Issuers shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Indenture Trustee all such rights, powers and trusts.

No successor Indenture Trustee shall accept its appointment unless at the time of such acceptance such successor Indenture Trustee shall be eligible under this Article VII.

Section 7.11. Merger, Conversion, Consolidation or Succession to Business of Indenture Trustee. Any entity into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder; provided such entity shall be otherwise qualified and eligible under this Article VII, without the execution or filing of any paper or any further act on the part of any of the parties hereto, and notice thereof shall be provided by the Indenture Trustee to the Holders and the Class A Note Insurer. In case any Notes have been authenticated, but not delivered, by the Indenture Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Indenture Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Indenture Trustee had itself authenticated such Notes.

Section 7.12. Co-trustees and Separate Trustees. At any time or times, for the purpose of meeting the legal requirements of any jurisdiction in which any of the Collateral may at the time be located, the Issuers and the Indenture Trustee shall have power to appoint, and, upon the written request of the Indenture Trustee or of the Controlling Party, the Issuers shall for such purpose join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Indenture Trustee, either to act as co-trustee, jointly with the Indenture Trustee of any or all of the Collateral, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 7.12. If the Issuers do not join in such appointment within 30 days after the receipt by it of a request so to do, or in case an Event of Default has occurred and is continuing, the Indenture Trustee alone shall have power to make such appointment.

Should any written instrument from the Issuers be reasonably required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuers.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(i) The Notes shall be authenticated and delivered by, and all rights, powers, duties and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Indenture Trustee hereunder, shall be exercised solely by the Indenture Trustee;

(ii) The rights, powers, duties and obligations hereby conferred or imposed upon the Indenture Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Indenture Trustee or by the Indenture Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Indenture Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by such co-trustee or separate trustee;

(iii) The Indenture Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuers evidenced by a Board Resolution with respect to each Issuer, may accept the resignation of or remove any co-trustee or separate trustee, appointed under this Section 7.12, and, in case an Event of Default has occurred and is continuing, the Indenture Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Issuers. Upon the written request of the Indenture Trustee, the Issuers shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee that has so resigned or been removed may be appointed in the manner provided in this Section 7.12;

(iv) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Indenture Trustee or any other such trustee hereunder nor shall the Indenture Trustee be liable by reason of any act or omission of any co-trustee or separate trustee selected by the Indenture Trustee with due care or appointed in accordance with directions to the Indenture Trustee pursuant to Section 6.14; and

(v) Any Act of Holders delivered to the Indenture Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Section 7.13. Indenture Trustee to Hold Original Leases; Indenture Trustee Check-In Procedures. (a) The Indenture Trustee shall hold each original counterpart of a Lease that may from time to time be delivered to the Indenture Trustee in accordance with this Indenture, the Servicing Agreement or the Management Agreement, until such time as such Lease is released from the Lien of this Indenture pursuant to the terms of this Indenture.

(b) Prior to the Closing Date, the Indenture Trustee checked in the Initial Existing Leases pursuant to the procedures set forth in the Bailee Letter. The Indenture Trustee shall perform a check-in of all (i) Prefunded Existing Leases, by the fifth Business Day after the receipt of such Prefunded Existing Leases and the Prefunded Lease and Railcar Schedule (and an

electronic copy of such Prefunded Lease and Railcar Schedule), and (ii) Subsequent Leases, by the fifth Business Day after the receipt of such Subsequent Leases and an updated Lease and Railcar Schedule (and an electronic copy of such Lease and Railcar Schedule). Upon the completion of each check-in, the Indenture Trustee shall deliver via facsimile to the Servicer, the Manager, the Issuers, the Class A Note Insurer and the Holders a certification in substantially the form attached hereto as Exhibit C to the effect that (except for original counterparts of Leases identified on Schedule IV hereto or as described on the deficiency report attached thereto (the "Lease Exception Report")) (i) the Indenture Trustee has received the original counterparts for each Lease listed on the related Lease and Railcar Schedule or Prefunded Lease and Railcar Schedule, as applicable, and it is holding such Leases as Indenture Trustee for the benefit of the Holders, (ii) such documents have been reviewed by it and do not appear on their face to have been mutilated, damaged, torn or otherwise physically altered and relate to such Lease identified in the Lease and Railcar Schedule or Prefunded Lease and Railcar Schedule, as applicable, and (iii) the Indenture Trustee does not hold an original copy of any Lease for or on behalf of any Person other than the Secured Parties.

(c) The Issuers shall cause the Manager to resolve any such exceptions noted in the Lease Exception Report to the Controlling Party's satisfaction, and no Lease for which exceptions remain shall be an Eligible Lease unless the Controlling Party has otherwise provided its written consent; provided that the Controlling Party's consent to any such exception shall not release the Manager from its purchase obligations under Section 4.04 of the Management Agreement arising as a result of a breach of a representation or warranty with respect to such Lease not covered by such written consent. The Indenture Trustee shall be under no duty or obligation to inspect, review or examine the Leases to determine that the same are genuine, enforceable or appropriate for the represented purpose or that they have actually been recorded or that they are other than what they purport to be on their face.

(d) The Indenture Trustee shall hold the originally executed copy of each Lease that constitutes chattel paper for the purposes of the UCC until such time as such Lease is released from the Lien of this Indenture or delivered to the Servicer pursuant to the terms hereof or of the Servicing Agreement. The Indenture Trustee shall hold the Leases in the same state as the location of the Corporate Trust Office, which initially is in Minneapolis, Minnesota.

(e) The Indenture Trustee, in its capacity as custodian of the original counterparts of the Leases, shall, upon reasonable notice, permit the Class A Note Insurer and the Holders access to the Leases at all reasonable times, upon reasonable notice and during the Trustee's normal business hours. Such access shall be afforded without charge to the Class A Note Insurer and the Holders but only upon reasonable request.

(f) The Indenture Trustee hereby agrees to hold the originally executed copy of each Lease and the other items of Collateral it receives on behalf of the Secured Parties, and to maintain exclusive custody of any such Collateral from time to time pledged to the Indenture Trustee, on behalf of the Secured Parties. In performing its duties hereunder, the Indenture Trustee agrees to act with reasonable care, using that degree of skill and attention that a custodian would exercise with respect to files relating to all comparable collateral that it services or holds for others.

(g) The Indenture Trustee shall segregate and maintain continuous custody of all Leases, chattel paper, documents and instruments in secure and fire resistant facilities in accordance with customary standards for such custody.

(h) The Indenture Trustee shall (i) act exclusively as the custodian for, and the bailee of, the Secured Parties, (ii) hold each Lease, chattel paper, document and instrument received by it for the exclusive use and benefit of the Secured Parties, and (iii) make disposition thereof only in accordance with the terms of this Indenture or with written instructions furnished by the Controlling Party.

Section 7.14. Money for Note Payments to Be Held in Trust. The Indenture Trustee agrees, subject to the provisions of this Section 7.14, that it will hold all sums held by it for the payment of principal or interest on the Notes in trust for the benefit of the Holders entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided.

Any money deposited with the Indenture Trustee in trust for the payment of the principal or interest on any Note and remaining unclaimed for three years after such principal or interest has become due and payable shall be paid to or at the direction of the Issuers; and the Holder of such Note shall thereafter, as an unsecured general creditor, and subject to any applicable statute of limitations, look only to the Issuers for payment thereof, and all liability of the Indenture Trustee with respect to such trust money or the related Note shall thereupon cease; provided, however, that the Indenture Trustee, before being required to make any such repayment, may at the expense of the Issuers cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the city in which the Corporate Trust Office is located, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to, or at the direction of, the Issuers. The Indenture Trustee may also adopt and employ, at the expense of the Issuers, any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Holders whose right to or interest in monies due and payable but not claimed is determinable from the records of the Indenture Trustee at the last address as shown on the Note Register for each such Holder).

Section 7.15. Representations and Warranties of Indenture Trustee. The Indenture Trustee hereby represents and warrants that:

(a) the Indenture Trustee is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has the power to own its assets and to transact the business in which it is presently engaged;

(b) the Indenture Trustee has the power, authority and legal right to execute, deliver and perform this Indenture and to authenticate the Notes, and the execution, delivery and performance of this Indenture and the authentication of the Notes has been duly authorized by the Indenture Trustee by all necessary corporate action;

(c) this Indenture, assuming due authorization, execution and delivery by the other parties hereto, constitutes the legal, valid and binding agreement of the Indenture Trustee, enforceable against the Indenture Trustee in accordance with its terms, except that (i) such enforcement may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws (whether statutory, regulatory or decisional) now or hereafter in effect relating to creditors' rights generally and the rights of trust companies in particular and (ii) the remedy of specific performance and injunctive and other forms of equitable relief may be subject to certain equitable defenses and to the discretion of the court before which any proceeding therefor may be brought, whether in a proceeding at law or in equity;

(d) the performance by the Indenture Trustee of its obligations under this Indenture will not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice, lapse of time or both) a default under, the organizational documents or bylaws of the Indenture Trustee;

(e) to the best of the knowledge of the Indenture Trustee, there are no proceedings or investigations to which the Indenture Trustee is a party pending, or, to the knowledge of the Indenture Trustee, threatened, before any court, regulatory body, administrative agency or other tribunal or Governmental Authority (i) asserting the invalidity of this Indenture, the Notes or any other Transaction Document, (ii) seeking to prevent the issuance of the Notes or the consummation of any of the transactions contemplated by this Indenture or any other Transaction Document or (iii) seeking any determination or ruling that would materially and adversely affect the performance by the Indenture Trustee of its obligations under, or the validity or enforceability of, this Indenture, the Notes or any other Transaction Document; and

(f) neither the execution or delivery by the Indenture Trustee of this Indenture or any other Transaction Document nor the consummation by the Indenture Trustee of the transactions contemplated hereby or by any other Transaction Document requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Governmental Authority under any existing federal law governing the banking or trust powers of the Indenture Trustee.

Section 7.16. Reporting by Indenture Trustee. To the extent that the Transaction Documents do not expressly require that items be delivered directly to the Class A Note Insurer by a party other than the Indenture Trustee, the Indenture Trustee shall promptly furnish to the Class A Note Insurer a copy of all reports, financial statements and notices received or prepared by the Indenture Trustee pursuant to the terms of this Indenture and the other Transaction Documents.

ARTICLE VIII

PURCHASES AND RELEASES

Section 8.01. Purchase of Railcars and Leases. (a) If at any time any Issuer or the Indenture Trustee discovers or is notified by the Manager that any representation or warranty of the Initial Manager contained in Section 4.03 of the Management Agreement was incorrect at the time as of which such representation or warranty was made, then the party discovering such circumstance shall promptly notify the other parties hereto and the Class A Note Insurer.

(b) In the event that the failure of any representation or warranty of the Initial Manager contained in Section 4.03 of the Management Agreement (other than the representation and warranty set forth in Section 4.03(pp) thereof)) to be correct at the time as of which it was made materially and adversely affects the interests of the Holders of the Notes in any Railcar or Lease which is the subject of such representation or warranty, then the Issuers shall require the Initial Manager to eliminate or cure such circumstance or condition within the time period set forth in Section 4.04 of the Management Agreement. If the Initial Manager fails or is unable to cure such circumstance or condition in accordance with the Management Agreement, then the Issuers shall require the Initial Manager to take such steps as are necessary to (i) if a Lease is the subject of such representation or warranty, Purchase all of the Railcars covered by such Lease (and the related Lease and other Railcar Assets relating solely to such Railcars) at the Purchase Price in accordance with Section 4.04 of the Management Agreement, or (ii) if a Railcar is the subject of such representation or warranty, either (A) Purchase such Railcar at the Purchase Price in accordance with Section 4.04 of the Management Agreement or (B) provide a Substitute Railcar meeting all of the requirements of Section 4.03 of the Management Agreement, complying with the Concentration Limits and having a Stated Value which, when aggregated with the Stated Values of all other Substitute Railcars then being provided, shall be no less than the aggregate Stated Value of all Railcars then being replaced, so that the representations and warranties with respect to such Railcar or Lease, as applicable, are correct. In the event of any breach of the representation or warranty set forth in Section 4.03(pp) of the Management Agreement, the Issuers shall require the Initial Manager to Purchase or provide Substitute Railcars to the extent required to cure such breach. Upon such Purchase or substitution, the Indenture Trustee shall release the Railcar so purchased or replaced (and any related Lease and other Railcar Assets relating solely to such Railcar) from the Lien of this Indenture pursuant to Section 8.02.

(c) In the event that the initial Servicer shall be obligated to Purchase any Railcar (and any related Lease and other Railcar Assets) pursuant to Section 4.03(b) of the Servicing Agreement, then the Issuers shall require the initial Servicer to effect such Purchase in the manner, within the time and for the Purchase Price specified in Section 4.03(b) of the Servicing Agreement. Upon such Purchase, the Indenture Trustee shall release the Railcar in question (and any related Lease and other Railcar Assets relating solely to such Railcar) from the Lien of this Indenture pursuant to Section 8.02.

(d) In the event that the Initial Manager fails to Purchase or substitute, or the initial Servicer fails to Purchase, any Railcar (and any related Lease and other Railcar Assets) by the time required in Section 4.04(b) of the Management Agreement or Section 4.03(b) of the

Servicing Agreement, respectively, the Indenture Trustee, provided it has received notice in accordance with Section 4.04(a) of the Management Agreement or Section 4.03 of the Servicing Agreement, respectively, shall promptly notify the Class A Note Insurer of such failure.

Section 8.02. Releases. (a) The Issuers shall be entitled to sell and obtain a release from the Lien of this Indenture (i) any Railcar with respect to which an Event of Loss shall have occurred, (ii) any Scrapped Railcar, (iii) any Railcar having a net sales price in excess of its Stated Value, if to do so would be, in the Manager's good faith determination, in the best interests of the relevant Issuer, and (iv) any Railcar required to be purchased or substituted for by the Manager in accordance with Section 4.04 of the Management Agreement or purchased by the Servicer in accordance with Section 4.03 of the Servicing Agreement; provided, however, that (A) except in the case of (x) Railcars sold subsequent to the occurrence of an Event of Loss with respect thereto, (y) Scrapped Railcars and (z) Railcars so purchased or substituted by the Manager or the Servicer, the aggregate Stated Value of the Railcars sold in such sales cannot exceed more than 10% of the sum of (I) the aggregate Stated Values of all Initial Railcars as of the Closing Date and (II) the aggregate Stated Value of all Prefunded Railcars purchased on the Prefunded Railcar Acquisition Date, and (B) in making the good faith determination referenced above, any successor to the Initial Manager shall be entitled to base such determination upon appraisals furnished by Independent Appraisers. Any such sale (other than a sale resulting from an event described in clause (i) or (iv), above) shall be made only to entities which are not Affiliates of The Andersons and only if the release of such Railcar will not result in, or exacerbate, a breach of a Concentration Limit. Any proceeds of such sale shall be deposited into the relevant Collection Account and thereafter the relevant Issuer shall be entitled to obtain a release from the Lien of the Indenture of any sold Railcar (and any related Lease and other Railcar Assets related solely to such Railcar) if such Issuer delivers to the Indenture Trustee and the Class A Note Insurer an Officer's Certificate (x) identifying the Railcars (and any related Lease and other Railcar Assets) to be released, (y) certifying that the conditions precedent to such release contained in the Transaction Documents had been complied with and (z) requesting the release thereof.

(b) The Indenture Trustee shall, on or after the Termination Date, release any remaining portion of the Trust Estate from the Lien created by this Indenture and shall distribute any funds then on deposit in any account in accordance with the provisions of this Indenture.

(c) The Indenture Trustee and the Class A Note Insurer shall be entitled to receive at least 10 days' notice of any action to be taken pursuant to clauses (iii) or (iv) of Section 8.02(a), accompanied by copies of any instruments involved.

(d) Upon satisfaction of the conditions specified in subsection (a) or (b), the Indenture Trustee shall release from the Lien of this Indenture and deliver to or upon the order of the Issuers the Railcars, the related Lease (if any) and the Railcar Assets relating solely to such Railcars and to the extent described in the Issuers' request for release.

Section 8.03. Collateral. The Indenture Trustee may, and when required by the provisions of Articles VI and VIII of this Indenture shall, execute or authorize, as appropriate, instruments to release property from the Lien of this Indenture, or convey the Indenture Trustee's

interest in the same, in a manner and under circumstances which are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.01. Supplemental Indentures without Consent of Holders. (a) Without the consent of the Holders of any Notes, the Issuers and the Indenture Trustee, at any time and from time to time, but with the consent of the Class A Note Insurer (so long as no Class A Note Insurer Default shall have occurred and be continuing), may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the Lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the Lien of this Indenture, or to subject to the Lien of this Indenture additional property;

(ii) to add to the conditions, limitations and restrictions on the authorized amount, terms and purposes of issue, authentication and delivery of any Notes, as herein set forth, additional conditions, limitations and restrictions thereafter to be observed, for the benefit of the Holders;

(iii) to evidence the succession of another Person to any Issuer, and the assumption by such successor of the covenants of such Issuer in accordance with the provisions of this Indenture;

(iv) to add to the covenants of the Issuers, for the benefit of the Holders of all Notes, or to surrender any right or power herein conferred upon any Issuer;

(v) to convey, transfer, assign, mortgage or pledge any property to or with the Indenture Trustee;

(vi) to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provisions with respect to matters or questions arising under this Indenture, which shall not be inconsistent with the provisions of this Indenture, provided that such action shall not adversely affect the interests of the Holders of the Notes as evidenced by an Officer's Certificate of the Servicer;

(vii) to evidence the succession of the Indenture Trustee pursuant to Article VII; or

(viii) to add to any Events of Default.

(b) The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Indenture Trustee shall not be obligated to enter into any such supplemental indenture that affects the Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise. The Issuers will send a copy of any such supplemental indenture to the Class A Note Insurer and each Holder promptly following the execution and delivery thereof.

Section 9.02. Supplemental Indentures with Consent of Holders. (a) With the consent of the Controlling Party, the Issuers and the Indenture Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Notes under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:

(i) change the Stated Legal Maturity Date or the due date of any installment of principal of, or any installment of interest on, any Note, or reduce the principal amount thereof or the rate of interest thereon or change any place of payment where, or the coin or currency in which, any Note or the interest thereon is payable, or change the authorized denomination of any Note, or impair the right to institute suit for the enforcement of any such payment;

(ii) reduce the percentage in principal amount of the Outstanding Notes (or the Outstanding Notes of a Class), the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder or their consequences provided for in this Indenture or the consent of which is required to waive any payment default on the Notes;

(iii) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or

(iv) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any Collateral or, except as otherwise provided in Section 8.02, deprive the Holder of any Note of the security afforded by the Lien of this Indenture.

(b) Promptly after the execution by the Issuers and the Indenture Trustee of any supplemental indenture pursuant to this Section 9.02, the Issuers shall mail to the Class A Note Insurer and the Holders of the Notes to which such supplemental indenture relates, a conformed copy of such supplemental indenture. Any failure of the Issuers to mail such conformed copy, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 9.03. Prospective Amendment of Eligibility Criteria and Concentration Limits. Notwithstanding anything in this Article IX to the contrary, the Controlling Party has the right, without needing the consent of the Holders or the Indenture Trustee, to amend prospectively any of the Eligibility Criteria and the Concentration Limits; provided, however, that if the Controlling Party is not the Class A Note Insurer, the Rating Agency Condition shall be met in connection with any such amendment.

Section 9.04. Execution of Supplemental Indentures. In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Indenture Trustee shall be entitled to receive upon request, and (subject to Section 7.01) shall be fully protected in relying upon, an Opinion of Counsel reasonably acceptable to the Indenture Trustee stating that the execution of such supplemental indenture is authorized or permitted by this Indenture. The Indenture Trustee may, but shall not (except to the extent required in case of a supplemental indenture entered into under Section 9.01(a)(vii)) be obligated to, enter into any such supplemental indenture which affects the Indenture Trustee's own duties or immunities under this Indenture or otherwise.

Section 9.05. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article IX, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.06. Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuers shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Issuers, to any such supplemental indenture may be prepared and executed by the Issuers and authenticated and delivered by the Indenture Trustee in exchange for outstanding Notes.

Section 9.07. Amendments to Other Transaction Documents. If the Indenture Trustee shall be required to consent to an amendment, restatement, supplement or other modification to any Transaction Document other than this Indenture, the Indenture Trustee shall do so only upon receiving written direction or consent from the Controlling Party; provided, however, that, if the Controlling Party is not the Class A Note Insurer, the Indenture Trustee may act without such direction or consent if the amendment, supplement or other modification is to cure any ambiguity, to correct or supplement any provision which may be defective or inconsistent with any other provisions with respect to matters or questions arising under such Transaction Document, which shall not be inconsistent with the provisions of such Transaction Document, but only if such action shall not adversely affect the interests of the Holders of the Notes or the Class A Note Insurer (in which case the Indenture Trustee shall act only at the direction of all Holders and the Class A Note Insurer adversely affected).

ARTICLE X

REPRESENTATIONS AND WARRANTIES

Section 10.01. Representations and Warranties. Each of the Issuers hereby jointly represents and warrants to, and agrees with, the Indenture Trustee, the Class A Note Insurer and the Holders that, as of the Closing Date:

(a) Each Issuer has been duly organized and is validly existing and in good standing as entity of the type, and organized under the laws of the jurisdiction, identified as the outset of this Indenture, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and each such Issuer is duly qualified to do business and is in good standing in each jurisdiction where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect. Each Issuer has all requisite power and authority and has taken all action necessary to enter into this Indenture and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by each Issuer of this Indenture and the other Transaction Documents are within such Issuer's powers, have been duly authorized by all necessary action and do not contravene any applicable law, such Issuer's organizational documents or any contractual or other obligation binding on or affecting such Issuer or any of its assets. The chief place of business and chief executive office of each of each Issuers is located at the address of such Issuer referred to in Section 15.03, and the offices where such Issuer keeps all its books, records and documents relating to the Railcar Assets are located at the addresses specified in Section 15.03. The exact legal name of each Issuer is set forth on the signature page hereof and each Issuer's organizational identification number is as follows: (i) for NARCAT, 3686233, (ii) for NARCAT Mexico, none and (iii) for CARCAT, 3086095. No Issuer has changed its name, changed its corporate structure, changed its jurisdiction of organization, changed its chief place of business/chief executive office or used any name other than its exact legal name at any time during the past five years. Each Issuer has delivered to the Indenture Trustee and the Class A Note Insurer a true and correct copy of each of its organizational documents.

(b) The performance of each Issuer's obligations under this Indenture and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other as contemplated by this Indenture and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of such Issuer pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement (including the Leases) or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any organizational document of such Issuer or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Indenture or any other Transaction Document to which such Issuer is a party except such

consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Each Transaction Document to which any Issuer is a party has been duly authorized, executed and delivered by such Issuer and each such Transaction Document is a valid and legally binding agreement of such Issuer, enforceable against such Issuer in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

(d) All Railcars are properly registered, to the extent required pursuant to applicable Law, in jurisdictions within the United States, Canada or Mexico, in the name of the respective Lessee or the applicable Issuer, to the extent required by, and in accordance with, the laws of such jurisdiction. No Issuer has received any notice of any Event of Loss, or any event which with the passage of time or the giving of notice, or both, would constitute an Event of Loss with respect to any Railcar.

(e) Each Issuer is the owner of each of the Railcar Assets, free from any Lien, security interest, encumbrance or other right, title or interest of any Person (other than Permitted Liens), subject however to the rights of the Lessees in the Railcars under the related Leases and the rights of sublessees, and each Issuer shall defend such Railcar Assets against all claims and demands of all Persons at any time claiming the same or any interest therein adverse to that of the Indenture Trustee.

(f) Each Issuer has heretofore provided to the Indenture Trustee and the Class A Note Insurer copies, or access to original copies, of all of the Leases, as amended, which copies are true and complete copies of the Leases, and the Leases have not been amended or modified subsequent to the above copies being made available to the Indenture Trustee and the Class A Note Insurer, except immaterial amendments made in the ordinary course of business or as reflected in the Lease and Railcar Schedule.

(g) All filings and recordings required to perfect the security interest of the Indenture Trustee in the Non-Mexican Collateral will be accomplished and will be in full force and effect no later than the Closing Date or such later date as contemplated by the Transaction Documents.

(h) The Lease and Railcar Schedule contains a complete and correct statement of the Rents payable by each Lessee specified therein, separately set forth with respect to each separate Lease and each group of Railcars, for each month for the number of months of anticipated Rents under each such Lease.

(i) [RESERVED.]

(j) The Delinquency Schedule attached as Schedule V hereto contains a complete and correct statement of all Lessees that are, as of the Closing Date, delinquent in making payments of the Rents due under the related Leases and the number of days of each such delinquency.

(k) Except with respect to Permitted Liens, this Indenture creates in favor of the Indenture Trustee, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral. The security interest in the Non-Mexican Collateral granted to the Indenture Trustee pursuant to this Indenture (i) constitutes a first priority perfected security interest with respect to such Non-Mexican Collateral under any applicable Law and (ii) will be entitled to all of the rights, benefits and priorities provided to a holder of a first priority security interest under any such applicable Law. All filings, deposits, registrations and other recordations shall have been accomplished with respect to the Indenture in the United States and Canada (and in each political subdivision thereof) as may be required by applicable Law to establish and perfect the Indenture Trustee's rights in and to the Non-Mexican Collateral therein, and any giving of notice or any other action to such end required by applicable Law has been given or taken (including, without limitation, the placement of notices in The Canada Gazette).

(l) No Default, Event of Default, Manager Event of Termination, Servicer Event of Termination or event that with the passage of time or the giving of notice or both would constitute a Default, Event of Default, Manager Event of Termination, Servicer Event of Termination has occurred and is continuing and no Rapid Amortization Event exists.

(m) Both before and after giving effect to the transactions contemplated by this Indenture, each Issuer is Solvent.

(n) All information heretofore furnished by each Issuer to the Indenture Trustee and Class A Note Insurer for purposes of or in connection with this Indenture, the other Transaction Documents, or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by it hereunder will be, true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (it being understood that with respect to any information received by each Issuer from the Railcar Entities, the Sellers or any Lessee and furnished to the Indenture Trustee and Class A Note Insurer, each Issuer represents that any such information, to its knowledge, is true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading).

(o) Each Issuer has (i) except for a filing relating to NARCAT Mexico, which will report zero tax due and owing, timely filed all federal, state and local tax returns or permitted extensions thereof in the United States and all other tax returns or permitted extensions thereof in foreign jurisdictions required to be filed, (ii) paid or made adequate provision in accordance with GAAP for the payment of all taxes, assessments and other governmental charges and (iii) accounted for the sale of the Railcar Assets hereunder, in its books and financial statements as sales, consistent with GAAP.

(p) Each Issuer is operated in such a manner that the separate corporate existence of each Issuer, on the one hand, and the Railcar Entities and the Initial Manager or any Affiliate

thereof, on the other, would not be disregarded in the event of the bankruptcy or insolvency of any of the Railcar Entities or the Initial Manager or any Affiliate thereof or any Issuer and, without limiting the generality of the foregoing:

(i) each Issuer is a limited purpose corporation whose activities are restricted in its organizational documents to activities related to purchasing or otherwise acquiring the Railcar Assets and related assets and rights and conducting any related or incidental business or activities it deems necessary or appropriate to carry out its primary purpose, including entering into the Indenture and the other Transaction Documents;

(ii) no Issuer has engaged, or presently engages, in any activity other than those activities expressly permitted hereunder and under the other Transaction Documents, nor has each Issuer entered into any agreement other than this Indenture, the other Transaction Documents to which it is a party, and with the prior written consent of the Controlling Party, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(iii) (A) each Issuer maintains its own deposit account or accounts, separate from those of any of its Affiliates, with commercial banking institutions, (B) the funds of each Issuer are not and have not been diverted to any other Person for any use other than the corporate use of each Issuer, and (C), except as may be expressly permitted or required by this Indenture or any other Transaction Document, the funds of each Issuer are not and have not been commingled with those of any other Person;

(iv) to the extent that any Issuer contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing are fairly allocated to or among such Issuer and such entities for whose benefit the goods and services are provided, and such Issuer and each such entity bears its fair share of such costs; and all material transactions between each Issuer and any of its Affiliates shall be only on an arm's-length basis;

(v) each Issuer maintains a principal executive and administrative office through which its business is conducted and a telephone number and stationery through which all business correspondence and communication are conducted separate from those of its Affiliates;

(vi) each Issuer conducts its affairs strictly in accordance with its organizational documents and observes all necessary, appropriate and customary corporate formalities, including (A) holding all regular and special equity holders' and directors' or managers', as applicable, meetings appropriate to authorize all company action (which, in the case of regular equity holders' and directors' or managers', as applicable, meetings, are held at least annually), (B) keeping separate and accurate minutes of such meetings, (C) passing all resolutions or consents necessary to authorize actions taken or to be taken, and (D) maintaining accurate and separate books, records and accounts, including intercompany accounts;

(vii) all decisions with respect to each Issuer's business and daily operations are independently made by such Issuer (although the officer making any particular decision may also be an employee, officer or director of an Affiliate of another Issuer) and are not dictated by any Affiliate of such Issuer (it being understood that the Manager, which is an Affiliate of such Issuer, will undertake and perform all of the operations, functions and obligations of it set forth in the Management Agreement and it may appoint sub-Managers, which may be Affiliates of such Issuer, to perform certain of such operations, functions and obligations and that the Servicer, which is an Affiliate of such Issuer, will undertake and perform all of the operations, functions and obligations of it set forth the Servicing Agreement and it may appoint sub-Servicers, which may be Affiliates of such Issuer, to perform certain of such operations, functions and obligations);

(viii) each Issuer acts solely in its own name and through its own authorized officers and agents, has not held itself out as a "division" or "part" of any other Person, and no Affiliate of such Person shall be appointed to act as its agent, except as expressly permitted by this Indenture and the other Transaction Documents;

(ix) no Affiliate of any Issuer advances funds to such Issuer, other than as is otherwise expressly provided herein or in the other Transaction Documents, and no Affiliate of any Issuer (other than pursuant to the express terms of the Transaction Documents) otherwise supplies funds to, or guarantees debts of, any other Issuer;

(x) other than organizational expenses and as expressly provided herein, each Issuer pays all expenses, indebtedness and other obligations incurred by it;

(xi) no Issuer guarantees, or is otherwise liable for, any obligation of any of its Affiliates (other than the other Issuers pursuant to the Transaction Documents);

(xii) any financial reports required of any Issuer comply with GAAP and are issued separately from, but may be consolidated with, any reports prepared for any of its Affiliates;

(xiii) each Issuer is adequately capitalized to engage in the transactions contemplated in its organizational documents;

(xiv) no Issuer acts as agent for any of its Affiliates, but instead presents itself to the public as an entity separate from each such Affiliate and independently engaged in the business of purchasing and financing Railcar Assets;

(xv) NARCAT maintains a board of managers consisting of three individuals, CARCAT maintains a board of directors consisting of three individuals and NARCAT Mexico maintains a board of managers consisting of three individuals. Each Issuer's board of managers or board of directors, as applicable, includes at least one independent director or manager, as applicable, (A) who is not currently or within the preceding five years has been: (1) a stockholder, director, officer, employee, manager, or partner of The Andersons or any Affiliate of The Andersons (other than as an independent director or

manager of any Issuer, Seller or Holdco), (2) a direct or indirect holder of any voting securities of The Andersons or any Affiliate of The Andersons, (3) a creditor, supplier, contractor or any other person who derives any of its purchases or revenues from its activities with The Andersons or any of The Andersons' other Affiliates, or (4) a member of the immediate family of any stockholder, director, officer, employee, partner, customer, supplier or contractor of The Andersons or any of its other Affiliates, and (B) who has (1) prior experience as an independent director for a corporation whose charter documents required the unanimous consent of all independent directors thereof before such corporation could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy; and (2) is employed with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structural finance instruments, agreements or securities; and

(xvi) the organizational documents of each Issuer require (A) the affirmative vote of an independent director or manager, as applicable, before a voluntary petition under Section 301 of the Bankruptcy Code or analogous petition under any other insolvency law may be filed by such Person, and (B) such Person to maintain correct and complete books and records of account and minutes of the meetings and other proceedings of its stockholders and board of directors or managers, as applicable.

Without limiting the foregoing, all of the factual statements and assumptions relating to each Issuer that are set forth in each of the opinions relating to bankruptcy matters and delivered pursuant to Section 4.01(f) are true and correct.

(q) The sale, transfer, assignment and conveyance contemplated by this Indenture is not subject to and will not result in any tax, fee or governmental charge payable by any Issuer to any Governmental Authority ("Transfer Taxes"), other than Transfer Taxes which have been or will be paid by such Issuer as due. In the event that any Issuer receives actual notice of any Transfer Taxes arising out of such transfer, assignment and conveyance, on written demand by Indenture Trustee and Class A Note Insurer, or upon any Issuer otherwise being given notice thereof, such Issuer shall pay, and otherwise indemnify and hold Indenture Trustee and Class A Note Insurer harmless, from and against any and all such Transfer Taxes.

(r) No Issuer has any material intellectual property.

(s) There have been no Proceedings made or brought by or against Issuers or settled or terminated in the period beginning on its date of formation, or, to the knowledge of any Issuer, threatened or contemplated, in each case that, in the reasonable judgment of any Issuer, if adversely determined, would have a Material Adverse Effect.

(t) No Issuer maintains, participates in or contributes to any (A) deferred compensation or retirement plan or arrangement, (B) tax-qualified or nonqualified defined contribution or defined benefit plan or arrangement which is an employee pension benefit plan (as defined in Section 3(2) of ERISA), (C) employee welfare benefit plan (as defined in Section 3(1) of

ERISA), (D) phantom stock appreciation right, stock option, stock purchase or other stock based plan, or (E) any fringe benefit plan or program. No Issuer maintains or contributes to any employee welfare benefit plan that provides health, accident or life insurance benefits to former employees, their spouses or dependents, other than in accordance with Section 4980B of the U.S. Tax Code or Part 6 of Subtitle B of Title I of ERISA or other applicable Law.

(u) No Issuer is party to, bound by, or negotiating in respect of any collective bargaining agreement or any other agreement with any labor union, association or other employee group in connection with its railcar leasing business, nor, to the knowledge of any Issuer, is any employee that primarily works in connection with its railcar leasing business represented by any labor union or similar association. No labor union or employee organization has been certified or recognized as the collective bargaining representative of any employee of such Issuer that primarily works in connection with its railcar leasing business. To the knowledge of each Issuer, there are no formal union organizing campaigns or representation proceedings in process or formally threatened with respect to any employee of each Issuer that primarily work in connection with its railcar leasing business, nor are there any existing or, to the knowledge of each Issuer, threatened at large labor strikes, work stoppages, organized slowdowns, unfair labor practice charges, or labor arbitration proceedings affecting employees of such Issuer that primarily work in connection with its railcar leasing business.

(v) Except to the extent such matters would not have a Material Adverse Effect on the Railcar Assets:

(i) to the knowledge of each Issuer, the Railcar Assets owned by it are in compliance with all applicable Environmental Laws related to the Collateral. Except for matters that have been fully resolved, each Issuer has not received any written communication from any person or Governmental Authority that alleges that its operations in connection with the Collateral are not in compliance with applicable Environmental Laws;

(ii) to the knowledge of such Issuer, it has obtained all environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the conduct of its railcar leasing business, and all such permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and to the knowledge of each Issuer, such Issuer is in compliance with all terms and conditions of the Environmental Permits; and

(iii) there is no Environmental Claim pending or, to the knowledge of each Issuer, threatened against or concerning the Railcar Assets.

To the knowledge of each Issuer, no release of any Hazardous Commodity has occurred on or from any of the Railcar Assets, which requires investigation, assessment, monitoring, remediation or cleanup under Environmental Laws.

(w) Each Issuer has complied with all "bulk sales" laws of its jurisdiction of organization and principal place of business.

(x) Each Issuer hereby jointly and severally represents and warrants to, and agrees with, the Indenture Trustee, the Class A Note Insurer and the Holders, that each Railcar and Lease included in the Collateral is an "Eligible Railcar" or "Eligible Lease," as applicable.

(y) Each Issuer remakes each of the representations and warranties made by it in each of the other Transaction Documents to which each Issuer is a party, as if the same were set forth in full herein.

(z) No Issuer has any Subsidiaries. No Issuer owns, beneficially or of record, any capital stock, evidences of Indebtedness or other securities of, nor has made any loans or advances to nor has any investments or interests in, any Person, other than Eligible Investments.

(aa) No Issuer is an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(bb) Since its date of formation, no Material Adverse Change has occurred with respect to any Issuer.

(cc) The proceeds of (A) the Class A-1 Notes, Class A-2 Notes and Class B Notes shall be used solely by NARCAT and NARCAT Mexico, and (B) the Class A-3 Notes shall be used solely by CARCAT, for the purchase of the Railcar Assets, to make deposits to the Collection Accounts and, in the case of NARCAT and NARCAT Mexico, the Prefunding Account, and to pay expenses related to this Indenture and the other Transaction Documents. No Issuer will, directly or indirectly, use any portion of the proceeds of the Notes hereunder for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock.

(dd) No procedures believed to be adverse to the interests of any of the Secured Parties were used by any Issuer, the Seller, the Manager or the Servicer in identifying and/or selecting and/or transferring the Railcar Assets to each Issuer and Granting the Collateral to the Indenture Trustee on behalf of the Secured Parties.

(ee) Each Issuer shall have given reasonably equivalent value in consideration for the transfer to each Issuer of the Railcar Assets pursuant to the Sale Agreement to which it is a party, no such transfer shall have been made for or on account of an antecedent debt, and no such transfer is or may be voidable or subject to avoidance under any applicable bankruptcy law.

ARTICLE XI

COVENANTS

Section 11.01. Payment of Principal and Interest. The Issuers, jointly and severally, will duly and punctually pay or cause to be paid the principal of and interest on the Notes in accordance with the terms of the Notes and this Indenture.

Section 11.02. Maintenance of Office or Agency. The Issuers will maintain an office or agency within the United States of America where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demand to or upon the Issuers in respect of the Notes and this Indenture may be served. The Issuers hereby initially appoint the Indenture Trustee at its Corporate Trust Office for each of said purposes. The Issuers will give prompt written notice to the Class A Note Insurer and the Indenture Trustee of the location, and of any change in the location, of any such office or agency. If at any time the Issuers shall fail to maintain any such office or agency or shall fail to furnish to the Class A Note Insurer and the Indenture Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Indenture Trustee and the Issuers hereby appoint the Indenture Trustee its agent to receive all such presentations, surrenders, notices and demands.

Section 11.03. Money for Note Payments to Be Held in Trust. If there is any Paying Agent other than the Indenture Trustee, the Issuers will cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which such Paying Agent shall agree with the Indenture Trustee that, subject to the provisions of this Section 11.03, such Paying Agent will:

(a) hold all sums held by it for the payment of principal of or interest on Notes in trust for the benefit of the Holders entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(b) give the Indenture Trustee notice of any Default or Event of Default by the Issuers (or any other obligor upon the Notes) in the making of any payment of principal or interest; and

(c) at any time during the continuance of any such Default or Event of Default, upon the written request of the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent.

The Issuers may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct any Paying Agent to pay, to the Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Any money deposited with the Indenture Trustee or any Paying Agent in trust for the payment of the principal of or interest on any Note and remaining unclaimed for six years after such principal or interest has become due and payable shall be paid to or at the direction of the Issuers on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, and subject to any applicable statute of limitations, look only to the Issuers, jointly and severally, for payment thereof, and all liability of the Indenture Trustee or such Paying Agent with respect to such trust money, shall thereupon cease; provided, however, that the Indenture Trustee or such Paying Agent, before being required to make any such repayment, may at the

expense of the Issuers cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the city in which the Corporate Trust Office is located, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuers. The Indenture Trustee may also adopt and employ, at the expense of the Issuers, any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Holders whose right to or interest in monies due and payable but not claimed is determinable from the records of any Paying Agent, at the last address as shown on the Note Register for each such Holder).

Section 11.04. Corporate Existence. Each Issuer will keep in full effect its existence, rights and franchises as a limited liability company, a Nova Scotia unlimited liability company or a Mexican limited liability company with variable capital, respectively, under the laws of its jurisdiction, will operate in accordance with, and subject to the limitations set forth in, its formation documents, and will obtain and preserve its qualification to do business as a foreign entity in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and each other Transaction Document to which it is a party.

Section 11.05. Protection of Collateral. (a) The Issuers will from time to time execute and deliver all such supplements and amendments hereto and all such financing statements, continuation statements, instruments of further assurance and other instruments as are necessary to protect the Collateral, and will take such other actions as the Indenture Trustee or the Class A Note Insurer reasonably deems necessary or advisable to:

- (i) Grant more effectively any or all of the Collateral;
- (ii) maintain or preserve the Lien of this Indenture and the first priority perfected nature of such Lien (subject only to Permitted Liens) or carry out more effectively the purposes hereof;
- (iii) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture;
- (iv) enforce any rights arising under or with respect to any of the Railcar Assets or, where appropriate, any security interest in the Collateral and the proceeds thereof; or
- (v) preserve and defend title to the Collateral and the rights of the Indenture Trustee, the Class A Note Insurer and the Holders therein against the claims of all Persons and parties.

Without limiting the generality of the foregoing, each Issuer will (i) authenticate or execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices as may be necessary, or as the Indenture Trustee or the Class A Note

Insurer may reasonably request, in order to perfect and preserve the pledges, assignments and security interests of the Collateral granted or purported to be granted hereby, (ii) at the request of the Indenture Trustee, the Class A Note Insurer (if the Class A Notes are still Outstanding) or the Controlling Party (if not the Class A Note Insurer) during the continuance of any Default, Event of Default, Manager Event of Termination, Servicer Event of Termination or any event that with the passage of time or the giving of notice or both would become a Manager Event of Termination or a Servicer Event of Termination, mark conspicuously each document included in the Collateral and each of its records pertaining to the Collateral with a legend, in form and substance satisfactory to the Indenture Trustee, the Class A Note Insurer (if the Class A Notes are still Outstanding) and the Controlling Party (if not the Class A Note Insurer), including that such document, chattel paper or record is subject to the pledge, assignment and security interest granted hereby, (iii) if any Collateral shall be evidenced by a promissory note or other instrument or chattel paper, deliver and pledge to the Indenture Trustee hereunder such note or instrument or chattel paper duly endorsed and accompanied by duly executed instruments of transfer or assignment, all in form and substance satisfactory to the Indenture Trustee, the Class A Note Insurer (if the Class A Notes are still Outstanding) and the Controlling Party (if not the Class A Note Insurer) and (iv) take such steps as the Indenture Trustee, the Controlling Party (if not the Class A Note Insurer) or the Class A Note Insurer (if the Class A Notes are still Outstanding) may reasonably request for the Indenture Trustee (A) to obtain an acknowledgement, in form and substance satisfactory to the Indenture Trustee and the Controlling Party (if not the Class A Note Insurer) or the Class A Note Insurer (if the Class A Notes are still Outstanding), of any bailee having possession of any of the Collateral that the bailee holds such Collateral for the Indenture Trustee or (B) to obtain "control" of any Investment Property, Deposit Accounts, Letter-of-Credit Rights or electronic chattel paper with any agreements establishing control to be in form and substance satisfactory to the Indenture Trustee and the Controlling Party (if not the Class A Note Insurer) or the Class A Note Insurer (if the Class A Notes are still Outstanding). A photocopy or other reproduction of this Indenture or any security agreement or financing statement covering the Collateral or any part thereof shall be sufficient as a financing statement where permitted by applicable Law.

(b) If an Event of Default shall have occurred and be continuing, each Issuer hereby irrevocably designates the Indenture Trustee as its agent and attorney-in-fact to authorize any financing statement, continuation statement or other instrument required pursuant to this Section 11.05; provided, however, that the Indenture Trustee shall not be obligated to authorize or file such instruments except upon written instruction from the Servicer, the Manager, the Issuers or the Controlling Party to authorize such instruments. Such power of attorney shall be deemed coupled with an interest and be irrevocable.

(c) Each Issuer will furnish to the Indenture Trustee and the Controlling Party or the Class A Note Insurer (if the Class A Notes are still Outstanding) from time to time statements and schedules further identifying and describing the Collateral and such other reports in connection with the Collateral as the Indenture Trustee, the Controlling Party (if not the Class A Note Insurer) or the Class A Note Insurer may reasonably request, all in reasonable detail. Each Issuer hereby authorizes the Indenture Trustee to regard its printed name or rubber stamp signature on statements or schedules as the equivalent of a manual signature by an authorized officer or agent of such Issuer.

Section 11.06. Negative Covenants. No Issuer will:

(a) sell, transfer, exchange, assign (by operation of law or otherwise) or otherwise dispose of any of the Collateral (except as provided in Section 8.02) or assign any right to receive income in respect thereof;

(b) claim any credit on, or make any deduction from, the principal or interest payable in respect of the Notes by reason of the payment of any taxes levied or assessed upon any of the Collateral;

(c) amend, restate, alter, change or repeal its certificate of formation or any other organizational document thereof without the consent of the Controlling Party;

(d) as to the initial issuance of the Class A Notes under this Indenture, issue such Notes unless such Notes have been rated at least "AAA" by S&P and "AAA" by Fitch, and as to the initial issuance of the Class B Notes under this Indenture, issue such Notes unless such Notes have been rated at least "B" by S&P; nor will any Issuer issue any subsequent incurrence of debt pursuant to any other notes, bonds, securities, or other obligations other than trade payables and expense accruals incurred in the ordinary course of business and which are incidental to its business purpose, for so long as the Notes remain outstanding;

(e) (i) permit the validity or effectiveness of this Indenture or any Grant under this Indenture to be impaired, or permit this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations under this Indenture, except as may be expressly permitted hereby and thereby, (ii) permit any Lien (other than Permitted Liens), charge, security interest, mortgage or other encumbrances to be created on or extended to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the proceeds thereof, or (iii) permit this Indenture not to constitute a valid first priority security interest in the Collateral, subject only to Permitted Liens; or

(f) dissolve or liquidate in whole or in part.

Section 11.07. Statement as to Compliance. Each Issuer will deliver to the Indenture Trustee, the Class A Note Insurer, the Rating Agency, and to each Holder of the Notes, on or before each December 31 (commencing December 31, 2004), a written statement signed by an Authorized Officer of such Issuer, stating, as to the signer thereof, that:

(a) a review of the activities of such Issuer during the preceding year and of performance under this Indenture has been made under his or her supervision, and

(b) such Issuer has fulfilled all of its obligations under this Indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such Default known to him or her and the nature and status thereof.

Section 11.08. Investment Company Act. Each Issuer will conduct its operations in a manner which will not subject it to registration as an "investment company" under the Investment Company Act of 1940.

Section 11.09. Enforcement of Servicing Agreement, Management Agreement, Sale Agreements and Funds Transfer Agreement. Each Issuer will take all actions necessary, and diligently pursue all remedies available to it, to the extent commercially reasonable, to enforce the obligations of the Servicer under the Servicing Agreement, the Manager under the Management Agreement, each Seller under the related Sale Agreement and each party under the Funds Transfer Agreement and to secure its rights thereunder.

Section 11.10. Issuers May Not Consolidate. Except as otherwise expressly permitted hereunder (including without limitation, in accordance with Section 11.06(a)), no Issuer shall consolidate, amalgamate or merge with or into any other Person or convey or transfer its properties and assets substantially as an entirety to any Person.

Section 11.11. Opinions as to Collateral. On or before June 30 in each calendar year commencing with 2005, each Issuer, with respect to that part of the Collateral Granted by such Issuer to the Indenture Trustee, shall furnish to the Indenture Trustee an Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken during the immediately preceding 12-month period with respect to the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents, and with respect to the authorization and filing of any financing statements and continuation statements as is necessary to maintain the Lien and security interest created by this Indenture and the Sale Agreements and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain such Lien and security interest. Such Opinion of Counsel shall also describe the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and the Sale Agreements and any other requisite documents and the execution and filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the Lien and security interest of this Indenture until June 30 in the following calendar year.

Section 11.12. Performance of Obligations. No Issuer will take any action, and each Issuer will use its best efforts not to permit any action to be taken by others, that would release any Person from any of such Person's covenants or obligations under any instrument included in the Collateral, or which would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument, except as expressly provided in this Indenture, the Servicing Agreement, the related Sale Agreement or the Management Agreement or such other instrument.

Section 11.13. Pro-Rata Purchases. None of the Issuers will, directly or indirectly, through any Affiliate or otherwise, purchase or otherwise acquire (otherwise than by prepayment required or permitted by this Indenture) or solicit any offers to (a) sell Class A Notes except pursuant to invitation to tender Class A Notes, at the same price, and the same terms, made concurrently to all Holders of Outstanding Class A Notes, or (b) sell Class B Notes except

pursuant to an invitation to tender Class B Notes, at the same price, and the same terms, made concurrently to all Holders of Outstanding Class B Notes.

Section 11.14. Insurance. (a) Required Insurance. Each Issuer hereby agrees that such Issuer will maintain insurance or require each Lessee to maintain insurance at all times while the Indenture is in effect with insurers or re-insurers of recognized reputation and responsibility (the "Insurers") as follows:

(i) Property Insurance. Each Issuer either (A) will maintain "all risk" property insurance in respect of the Railcars and for an amount not less than \$5,000,000 per occurrence and with no limits on the maximum number of covered occurrences (such that there are no limitations on the number of "occurrences" covered by such insurance during the term of any such insurance policy) or (B) where the Lessee is required to carry insurance, will cause the Lessee to carry insurance in limits as determined in accordance with Rule 107 of the Interchange Rules ("Property Insurance"); and

(ii) Liability Insurance. Liability insurance with respect to third-party personal injury, death and property damage (including contractual liability insurance), Federal Employers Liability Act coverage and against risks as are customarily carried in the United States, Canada or Mexico by owners or lessors of rolling stock similar to the Railcars (and, in any event, covering such risks as are covered by each Issuer's liability insurance in effect on the Closing Date) in an amount, in the case of each Issuer, not less than \$5,000,000 per occurrence with no limits on the maximum number of covered occurrences (such that there are no limitations on the number of "occurrences" covered by such insurance during the term of any such insurance policy) and, in the case of any Lessee, not less than such amount per occurrence with a deductible per occurrence of not more than such amount as the Manager determines, in its reasonable judgment and in accordance with the management standards set forth in the Management Agreement, to be prudent and, in any event, not less than such amounts (with not more than such deductibles) as Lessees are customarily required to carry in the United States, Canada or Mexico by owners or lessors of rolling stock similar to the Railcars ("Liability Insurance").

(b) Self-insurance. The Issuers may permit any Lessee, in lieu of the requirements set forth above, to self-insure Railcars leased thereto with respect to Property Insurance and, to the extent such failure does not adversely affect an Issuer's liability insurance, Liability Insurance; provided, however, that, except with respect to any Railcars leased to a Preferred Lessee, the aggregate amount of liability which shall be subject to such self-insurance shall not, in respect of any Lessee, exceed \$250,000. "Self-insure" and "self-insurance" shall mean uninsured risk, deductible and co-insurance. "Preferred Lessee" shall mean any Lessee having a long-term debt credit rating (or shadow rating) of BBB- or higher by S&P, BBB- or higher by Fitch or Baa3 or higher by Moody's.

(c) Terms of Insurance. The insurance policies carried by the Issuers in accordance with the terms of this Indenture shall:

(i) require 30 days' prior notice to the additional insureds of cancellation for any reason or material change in the type or limits of coverage and provide that one or more of the additional insureds may renew such coverage;

(ii) not require contributions from other policies held by the additional insureds;

(iii) waive any right of subrogation of the insurers against the additional insureds;

(iv) (A) name the Indenture Trustee and the Class A Note Insurer as additional insureds in the case of Liability Insurance, and (B) name the Indenture Trustee as loss payee in the case of Property Insurance;

(v) continue to insure such additional insured regardless of any breach or violation of any warranty, declaration or condition contained in such policy by the Issuers or any Person; and

(vi) waive any right to claim any premium or commissions against the additional insured.

If any Issuer is in default of its obligation to maintain, or, with respect to Property Insurance, cause the Lessee to maintain, the insurance coverages specified herein, the Indenture Trustee may (with the consent of the Controlling Party), at its option, but shall not be required to (unless directed to do so by the Controlling Party), obtain such insurance, and in such event, each Issuer shall, upon demand from time to time, reimburse the Indenture Trustee for the cost of such insurance which each Issuer shall have failed to maintain and which the Indenture Trustee shall have obtained in accordance herewith, together with interest thereon at the Overdue Rate, from the date of payment thereof to but excluding the date of receipt of such reimbursement.

(d) Certificates. From time to time, but not more than once in any 12-month period, upon the request of the Indenture Trustee (acting at the direction of the Controlling Party), the Issuers shall provide certificates of insurance to the Indenture Trustee and the Class A Note Insurer evidencing that the insurance required of the Issuers by this Section 11.14 is in effect.

(e) The Issuers' Agreements. The Issuers will not:

(i) make, or permit the making of, any modification to any insurance required hereunder without the prior written consent of the Indenture Trustee acting at the direction of the Controlling Party; or

(ii) cause or permit any Railcars to be employed in any place or in any manner or for any purpose inconsistent with the terms of or outside the coverage provided by any required insurance.

(f) Change in Industry Practice. In the event that there is a material change in generally accepted industry-wide practice with regard to the insurance of Railcars (whether relating to any or all of the types of insurance required to be effected under the foregoing provisions of this Section 11.14) such that the insurance required pursuant to the provisions of this Section 11.14 is insufficient to protect the interests of the Indenture Trustee, the Class A Note Insurer or any Holder hereunder, then, unless such an action would be contrary to the provisions of any Lease to which the relevant Railcars may then be subject, the insurance requirements set forth in this Section 11.14 shall be varied so as to include such additional or varied requirements as may be reasonably necessary to ensure that the insurance as so varied shall provide comparable protection to that which would have been provided if such change in generally accepted industry-wide practice had not occurred.

(g) Compliance with Legal Requirements. In addition to the foregoing provisions of this Section 11.14, the Issuers shall comply with all legal requirements as to the insurance of any Railcars which may from time to time be imposed by the Laws of the United States, Canada or Mexico, as applicable, or any jurisdiction to or from which any Railcars shall travel or in which the same shall be located or by the AAR.

(h) No Reliance on and Release of Indenture Trustee. In connection with the covenants set forth in this Section 11.14, it is understood and agreed that:

(i) neither the Indenture Trustee nor its agents or employees shall be liable for any loss or damage insured by the insurance policies required to be maintained under this Section 11.14, it being understood that each Issuer shall look solely to its insurance companies or any other parties other than the aforesaid parties for the recovery of such loss or damage. If any such insurance policy does not provide waiver of subrogation rights against the additional insured, as required in Section 11.14(c)(iii), then the Issuers hereby agree, to the extent permitted by applicable Law, to waive its right of recovery, if any, against the Indenture Trustee and its agents and employees in respect of any such loss or damage; and

(ii) the designation of any form, type or amount of insurance coverage by the Issuers under this Section 11.14 shall in no event be deemed a representation, warranty or advice by the Indenture Trustee that such insurance is adequate for the purposes of the business of the Issuers or the protection of its properties.

Section 11.15. Leasing of Railcars. (a) No Issuer shall, without the prior written consent of the Controlling Party, sell, contract to sell, lease, assign, encumber or otherwise dispose of, transfer or relinquish possession or control of, any or all Railcars or any interest therein, except as expressly permitted by, and in accordance with, the provisions hereof (including, without limitation, Section 6.18 and this Section 11.15). The Railcars shall at all times be in the possession of or under the control of the Issuers, the Servicer, the Manager or, to the extent such

Railcar is then the subject of an unexpired Lease permitted hereby, the Lessee thereof, a permitted sublessee thereunder or, in addition (in the case of any Per Diem Lease or Operating Agreement), the Person obligated to make payments of Railroad Mileage Credits thereunder; provided that, subject to the terms of the Management Agreement, an Issuer or the Manager may relinquish possession to parties in the business and capable of repairing Railcars for the limited purpose of effecting such repairs.

(b) The Issuers shall use their best efforts (and shall cause the Manager to use its best efforts) to cause each Railcar to be subject to, and maintained under, a Lease. During any period that a Railcar is not then subject to a Lease (due to being taken out of service for repair or otherwise), the Issuers shall take (or cause the Manager to take) reasonable care to prevent deterioration of the condition of such Railcar (solely in the case of a Railcar being repaired, beyond that attributable to the circumstances necessitating such repair) and to keep such Railcar otherwise eligible for applicable manufacturer's warranties, if any.

(c) The Issuers shall have the right to enter into a Lease, as lessor or owner thereof, with respect to a Railcar, without the consent of the Indenture Trustee or any Holder (each such Lease, a "Subsequent Lease"), and NARCAT can accept the transfer of the Prefunded Existing Leases and the Prefunded Railcars from the U.S. Seller on the Prefunded Railcar Acquisition Date, so long as the following concentration limits (the "Concentration Limits") are satisfied as of the date on which any Subsequent Lease is originated (or, if later, the date on which any Subsequent Lease is transferred to an Issuer) or as of the Prefunded Railcar Acquisition Date, as applicable, unless waived in writing by the Controlling Party:

(i) not more than 10% of all Railcars may be leased to any one Lessee (including all Affiliates thereof), unless such Lessee shall both (i) have a long-term unsecured debt rating of "BBB" or higher by S&P, "BBB" or higher by Fitch or "Baa" or higher by Moody's (the "Minimum Long-Term Rating") and (ii) not have a long-term unsecured debt rating of less than the Minimum Long-Term Rating from any of S&P, Fitch or Moody's, in which case not more than 20% of all Railcars may be leased to any such Lessee (including all Affiliates thereof);

(ii) not more than 60% of all Railcars may be leased to any set of ten Lessees (including for this purpose any Lessee and all Affiliates thereof as a single Lessee);

(iii) Railcars subject to Per Diem Leases may not account more than 40% of the Stated Value of all Railcars;

(iv) Railcars subject to Leases with governmental agencies or authorities may not account for more than 7.5% of the Stated Value of all Railcars; and

(v) not more than 450 of the Railcars are leased to Lessees for which a Mexican address is referenced on the Lease;

provided, however, that (a) a Subsequent Lease shall be deemed to have been originated in compliance with the Concentration Limits notwithstanding the fact that, at the time of such

origination, the portfolio of Railcars and associated Leases included in the Collateral shall not be in compliance with one or more of the Concentration Limits (each Concentration Limit as to which there shall be non-compliance, a "Tripped Concentration Limit") so long as such origination shall not (i) cause said portfolio to fail to be in compliance with any other Concentration Limit, or (ii) cause said portfolio to be further from compliance with any Tripped Concentration Limit, and (b) with the consent of the Controlling Party, a Subsequent Lease with respect to any Lessee shall be deemed to have been originated in compliance with the Concentration Limits notwithstanding the fact that a downgrade or withdrawal of a debt rating in respect of such Lessee would otherwise have resulted in the existence of a Tripped Concentration Limit.

(d) The applicable Issuer shall use its best efforts to maintain in full force and effect all of its rights, as lessor, and all of the Lessee's obligations, as Lessee, under each Lease and shall take such action as is necessary to enforce its rights and the Lessee's obligations thereunder. Such Issuer shall not waive an event of default under a Lease unless no Event of Default then exists hereunder and such waiver and failure of Lessee to comply with the relevant obligation (including with respect to the removal of any Liens) does not affect the then fair market value, utility or remaining useful life of the relevant Railcars. In no event shall any such waiver alter or diminish the Issuer's obligations hereunder (including with respect to the insurance, use or maintenance of the Railcars).

(e) The Issuer may consent to the sublease of any Railcar. Any permitted sublease entered into pursuant to Section 2.01(j) of the Servicing Agreement shall be treated as a "Lease" for all purposes hereunder.

Section 11.16. Notice of Defaults, Events of Default, Servicer Events of Termination, Manager Events of Termination and Rapid Amortization Events. Upon any Issuer's obtaining knowledge of the occurrence of any Default, Event of Default, Servicer Event of Termination, Manager Event of Termination or Rapid Amortization Event, or event that, with the passage of time or the giving of notice, or both, would constitute such an occurrence, such Issuer shall, within one Business Day of obtaining such knowledge, notify the Indenture Trustee, the Class A Note Insurer and the Rating Agencies of such occurrence.

Section 11.17. Limitation on Liability of Directors, Officers, or Employees of the Issuers. The directors, officers, or employees of the Issuers shall not be under any personal liability to the Indenture Trustee, the Holders, the Servicer, the Manager, the Class A Note Insurer or any other Person hereunder or pursuant to any documents delivered hereunder, it being expressly understood that all such liability is expressly waived and released as a condition of, and as consideration for, the execution of this Indenture and the issuance of the Notes, except with respect to liability resulting from such person's fraudulent or willful misconduct. The Issuers and any director or officer or employee or agent of any Issuer may rely in good faith on the advice of counsel respecting any matters arising hereunder.

Section 11.18. Obligations Under Leases. Each Issuer will duly fulfill all material obligations on its part (as required by any Transaction Document to which it is a party) to be fulfilled under or in connection with the Leases to the extent the Lessees under the Leases shall

continue to make payments therefor and perform thereunder as provided in such Leases; provided, however, that an adjustment or other modification or amendment of a Lease pursuant to the Transaction Documents shall not be deemed to be a violation of this paragraph.

Section 11.19. Maintenance of Interests. Each Issuer will make, execute or endorse, acknowledge and file or deliver to the Indenture Trustee from time to time such schedules, confirmatory assignments, conveyances, reports and other reassurances or instruments and take such further steps relating to the Leases, Railcars and other Railcar Assets and the rights covered by this Indenture as are necessary to maintain the Indenture Trustee's interests in the Collateral, and as the Indenture Trustee or the Class A Note Insurer may reasonably request.

Section 11.20. [RESERVED].

Section 11.21. [RESERVED].

Section 11.22. UMLER Designations. Immediately following the Closing Date, except with respect to the reporting marks which are the subject of the Car Mark Agreement, each Issuer covenants to take all or cause its Affiliates to take all necessary action to change the UMLER designation associated with the reporting marks relating to the Railcars so as to reflect such Issuer's ownership of said marks immediately following Closing Date.

Section 11.23. Post-Closing Records. On the Closing Date, each Issuer shall cause its records to be marked to reflect the transfer of the Railcar Assets thereon. To the extent not already done, on the Closing Date, each Issuer shall deliver each Lease File for each Railcar Asset to the Servicer together with all maintenance records related to the Railcar Assets.

Section 11.24. [RESERVED].

Section 11.25. Notification of Breaches. Each Issuer will promptly notify the Indenture Trustee and the Class A Note Insurer promptly following any breach by such Issuer of any of its representations, warranties, covenants and agreements contained herein.

Section 11.26. Non-Consolidation. Each Issuer will take all actions necessary to ensure that the representations and warranties contained in Section 10.01(p) hereof remain true and correct at all times and that each Issuer would not be consolidated with any of the Sellers, the Manager, the Servicer, The Anderson's or any of their Affiliates in the event that any such entity shall become subject to bankruptcy or insolvency proceedings.

Section 11.27. Collections Received. Each Issuer shall hold in trust for the benefit of the Indenture Trustee and the other Secured Parties, and shall remit (or cause to be remitted) daily to the relevant Collection Account, all Collections within one Business Day after receipt thereof by each Issuer or any of its Affiliates.

Section 11.28. Sale Treatment. No Issuer shall (a) account for (including for accounting and tax purposes), or otherwise treat, the transactions contemplated by the Asset Purchase Agreement or any Sale Agreement, as applicable, in any manner other than as a sale by the

Railcar Entities of its right, title and interest in, to and under the Railcar Assets to the Seller, or as a sale by the Seller of its right, title and interest in, to and under the Railcar Assets to the Issuers, as the case may be, or (b) account for or otherwise treat the transactions contemplated by this Indenture in any manner other than as a pledge of the Collateral by each Issuer to the Indenture Trustee on behalf of the other Secured Parties. In addition, each Issuer shall disclose (in a footnote or otherwise) in all of its financial statements (including any such financial statements consolidated with any other Person's financial statements) the existence and nature of the transactions contemplated by the Asset Purchase Agreement, the Sale Agreement to which such Issuer is a party and this Indenture and the ownership interest of the Issuers and the security interest of the Indenture Trustee, on behalf of the Secured Parties, in the Railcar Assets.

Section 11.29. [RESERVED].

Section 11.30. Ownership Interest. Each Issuer shall, at its own expense, take all action necessary or desirable to establish and maintain a valid and enforceable ownership interest in or, solely to the extent that the Sale Agreement to which such Issuer is a party does not effect a true sale of the Railcar Assets from the relevant Seller to such Issuer, a valid and enforceable security interest in, the Non-Mexican Collateral and a first priority perfected security interest in the relevant Non-Mexican Collateral to the extent a valid and enforceable ownership interest was not established and maintained in favor of such Issuer, in each case free and clear of any Lien (other than any Permitted Lien), in favor of each Issuer, including taking such action to perfect, protect or more fully evidence the interest of each Issuer, as the Indenture Trustee or the Class A Note Insurer may reasonably request. If any Issuer fails to take any action required to establish, protect, or maintain the rights thereof, the Indenture Trustee may (with the prior written consent of the Controlling Party) or shall, at the written direction of the Controlling Party, perform the same and all of the expenses of the Indenture Trustee shall be payable by the Issuers. In addition, each Issuer shall mark its master data processing records and other documents describing the conveyances contemplated by this Indenture and the other Transaction Documents.

Section 11.31. [RESERVED].

Section 11.32. No Change in Payment Instructions to Lessees. No Issuer shall make any change in its instructions to Lessees regarding payments to be made in respect of the Railcar Assets, unless (i) such instructions are to deposit such payments to the relevant Collection Account (or to a post office box or a lock-box covered by a Lockbox Agreement) or (ii) each of the Indenture Trustee and the Controlling Party shall have provided their prior written consent to such addition, termination or change at least 15 days prior thereto.

Section 11.33. No Deposits to Lockbox Accounts or Collection Accounts. Except as expressly contemplated by this Indenture, no Issuer shall deposit or otherwise credit, or cause or permit to be so deposited or credited, to any Lockbox Account or either Collection Account, cash or cash proceeds other than Collections. No Issuer shall deposit or otherwise credit, or cause or permit to be so deposited or credited, any Collections to any account or post office boxes or lock-boxes other than a Lockbox Account, either Collection Account or to post office boxes or lock-boxes to which only the Lockbox Bank has access.

Section 11.34. No Change in Name, Identity or Organizational Documents. No Issuer shall change its name, identity or structure (including a merger or consolidation), its form of organization or its jurisdiction of incorporation, unless at least thirty days prior to the effective date of any such change, each Issuer delivers to the Indenture Trustee and the Class A Note Insurer such documents, instruments or agreements, executed by such Issuer as are necessary to reflect such change and to continue the perfection and priority of the Indenture Trustee's security interests in the Collateral.

Section 11.35. No Amendment to Transaction Documents. Except to the extent otherwise permitted under Article IX, no Issuer shall amend, modify, or supplement any Transaction Document or waive any provision thereof, except in any case with the prior written consent of each of the Indenture Trustee and the Controlling Party; nor shall any Issuer take, or permit any other Person to take, any other action under any Transaction Document that could have a Material Adverse Effect or which is inconsistent with the terms of this Indenture or any other Transaction Document.

Section 11.36. Compliance with Laws, etc. Each Issuer shall comply with all applicable Laws applicable to such Issuer or any of its business, properties or assets, the failure to comply with which could reasonably be expected to cause a Material Adverse Effect, such compliance to include (i) paying when due all Taxes imposed upon it or upon its property by any Governmental Entity except to the extent contested in good faith and for which such Issuer maintains appropriate cash reserves in accordance with GAAP and (ii) complying with the rules of the United States Department of Transportation (including the rules and regulations of the FRA), the Environmental Protection Agency, the STB and the AAR (including the Interchange Rules) with respect to the ownership, use, operation and maintenance of each Unit.

Section 11.37. Authorizations, Approvals and Recordations. Each Issuer shall promptly take, and maintain the effectiveness of, all action that may, from time to time, be necessary or appropriate under applicable Law in connection with the performance by such Issuer of its obligations under this Indenture, any other Transaction Document or any Lease, or the taking of any action hereby or thereby contemplated, or necessary for the legality, validity, binding effect or enforceability of this Indenture, any other Transaction Document or any Lease, or for the making of any payment or the transfer or remittance of any funds by such Issuer under this Indenture or any other Transaction Document.

Section 11.38. Reporting Requirements. Each Issuer shall furnish, or caused to be furnished, as the case may be, to the Indenture Trustee and the Class A Note Insurer:

(a) as soon as available and in any event within 120 days after the end of each fiscal year of such Issuer, the Financial Statements of such Issuer as of the end of such fiscal year, examined by independent certified public accountants of recognized national standing whose opinion shall not be qualified as to the scope of audit;

(b) as soon as available and in any event within 60 days after the end of each financial quarter of such Issuer, a copy of its internally prepared Financial Statements for such quarter;

(c) if so requested by the Class A Note Insurer, promptly after such request (or if later after receipt thereof from the applicable Lessee), all material information in relation to the financial status of each Lessee, including Financial Statements of each Lessee, which is in the possession of each Issuer, the Manager or the Servicer, is publicly available or is required to be delivered pursuant to the terms of the applicable Lease;

(d) promptly upon receipt from each Issuer's insurance carrier or broker, give to the Indenture Trustee and the Class A Note Insurer copies of any notice, communication, document or agreement related to the Collateral;

(e) prompt written notice of (i) any threatened or pending investigation of such Issuer, the Manager, the Servicer, the Seller or any of their Affiliates by any Governmental Authority or agency, or (ii) any threatened or pending court or administrative Proceeding or the institution of any litigation, arbitration proceeding or other Proceeding, in any case, which individually or in the aggregate involves the possibility of materially and adversely affecting the Collateral (including, without limitation, the value of the Collateral or the Indenture Trustee's first priority perfected security interest in the Collateral) or the business or conditions (financial or otherwise) of or would otherwise constitute a Material Adverse Effect with respect to any Issuer, the Manager, the Servicer, the Seller or any of their Affiliates, in each case, specifying the nature of such investigation or proceeding and, if known, what action the affected Person is taking or proposes to take with respect thereto and evaluating its merits;

(f) any reports filed by any Issuer, the Servicer or the Manager with the Securities and Exchange Commission or any Rating Agency; and

(g) such other information regarding the condition or operations, financial or otherwise, of each Issuer or the Collateral as the Indenture Trustee or the Class A Note Insurer may from time to time reasonably request.

Section 11.39. Audit and Inspection Rights. Each Issuer shall allow any Person acting on behalf of the Indenture Trustee or the Class A Note Insurer (a) to visit and inspect any of the properties or assets of such Issuer in whomever's possession (provided that, in the case of any Railcar then subject to a Lease, such action is taken in accordance with the terms of such Lease) and to examine such Issuer's books of record and accounts (and make copies of and abstracts from all such books of record and accounts) and to discuss such Issuer's affairs, finances and accounts with the Manager, the Servicer, its and their officers and independent accountants, all at such times during normal business hours and as often as the Indenture Trustee or the Class A Note Insurer may reasonably request, and (b) at any time and from time to time and without notice, to access and retrieve information from the computer networks on which such Issuer, the Manager and the Servicer maintain data on the portfolio of Railcars. Any expense incident to the exercise by the Class A Note Insurer or the Indenture Trustee of any right under this Section 11.39 shall be borne by the Initial Manager, except that only the first examination in any year by the Class A Note Insurer or the Indenture Trustee will be at the Initial Manager's expense (unless there has occurred and is continuing a Manager Event of Termination, a Servicer Event of Termination (if the Manager is also the Servicer), an Event of Default or a Rapid

Amortization Event (or any event which, with the giving of notice or passage of time, would constitute any such event), in each of which cases each such examination shall be at the expense of the Manager)), or, if a Successor Manager other than an Affiliate of the Initial Manager is then acting as Manager, such expense shall be borne by the party exercising such right of inspection; provided, however, that in no event shall the Class A Note Insurer or the Indenture Trustee be entitled to any expenses hereunder for which it has been previously reimbursed pursuant to Section 8.06 of either the Management Agreement or Servicing Agreement.

Section 11.40. Payment of Charges. Each Issuer shall duly pay and discharge (a) all of its trade bills before the time that any Lien attaches, (b) all Taxes imposed upon or against it or its property or assets, or upon any property leased by it, prior to the date on which penalties attach thereto, and (c) all lawful claims or other obligations, whether for labor, materials, supplies, services or anything else, which might or could, if unpaid, become a Lien upon such property or assets, unless and only to the extent that the validity thereof is being contested in good faith by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of any of the Collateral or any interest therein and such Issuer maintains appropriate cash reserves with respect thereto in accordance with GAAP. The Issuers shall cooperate to comply with all tax return requirements for such Taxes, and shall provide such documentation and take such other actions as may be reasonably necessary to minimize the amount of any such Taxes.

Section 11.41. Maintenance of Records. Each Issuer shall keep, or, with respect to the Railcars and other Railcar Assets, cause the Manager or the Servicer to keep, at all times separate books of record and account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and affairs, such entries to be made in accordance with GAAP consistently applied in the case of financial transactions, and each Issuer will provide or cause to be provided adequate protection against loss or damage to such books of record and account.

Section 11.42. Post-Acquisition Matters. Each Issuer shall provide to the Indenture Trustee and the Class A Note Insurer, no later than 30 days following the Closing Date or the Prefunded Railcar Acquisition Date, as applicable, with respect to the Railcars so acquired on such date, (a) evidence that all documents necessary to create a first priority security interest in the Railcars (other than Mexican Railcars) have been recorded in all relevant jurisdictions, and (b) an original counterpart of each acknowledgment of the applicable Lessee of, or consent by the applicable Lessee to, the assignment and assumption to the relevant Issuer to the extent such acknowledgment or consent is required by the terms of such Lease. Each Issuer shall cause the relevant Seller to notify each Lessee under a Lease acquired on such date of the purchase and assignment of the Railcars and the Lease to such Issuer and irrevocably notify such Lessees of the collateral assignment of such Leases to the Indenture Trustee (and that all payments thereunder shall thereafter be made to the relevant Lockbox Account unless otherwise notified by the Indenture Trustee).

Section 11.43. Use and Maintenance of Railcar Assets. (a) Each Issuer shall, and shall require and use its best efforts to cause, each Person in possession of any of the Railcar Assets to, use the Railcar Assets only in the manner for which they were designed and intended and so as to

subject it only to ordinary wear and tear. The Railcar Assets shall not be used in any manner which is in violation of applicable Law or the insurance maintained under Section 11.14.

(b) Each Issuer shall maintain, service and repair each Railcar or shall cause each Railcar to be maintained, serviced and repaired (in either case, subject to scheduling in the ordinary course of business), so that each Railcar and the component parts thereof (i) are in as good order and repair as when initially subjected to the Lien of this Indenture, ordinary wear and tear excepted, (ii) are in compliance with all applicable Laws governing the use and maintenance thereof, (iii) are in compliance with the requirements of any insurance policies required pursuant to Section 11.14, and (iv) are in material compliance with manufacturer's maintenance recommendations and eligible under manufacturer's warranties. Without limiting the foregoing, each Issuer shall maintain and keep the Railcar Assets (or shall cause the Railcar Assets to be maintained and kept) suitable for the commercial use as originally designed and intended in interchange service, in accordance with applicable Interchange Rules and prudent industry practice. Each Issuer shall also maintain or cause to be maintained all records, logs and other materials required by the AAR, the Department of Transportation and any other Governmental Entity having jurisdiction over the Railcar Assets or each Issuer to be maintained in respect of the Railcar Assets.

(c) (i) No Issuer shall at any time use, assign or permit the assignment of, or permit any person in possession of a Railcar (whether or not a permitted Lessee) to use, assign or permit the assignment of, any Railcar for use in service (including the regular operation or maintenance thereof) outside the continental United States, Canada and Mexico; (ii) no Railcars shall be stored (other than temporary storage) in Mexico and (iii) not more than 450 of the Railcars may be leased to Lessees for which a Mexican address is referenced on the Lease without the consent of the Controlling Party.

Section 11.44. Tort Claims. Upon any Issuer obtaining knowledge of the existence of any tort claim in excess of \$100,000 or, after the occurrence and during the continuance of any Event of Default if so requested by the Indenture Trustee or the Class A Note Insurer, any Tort Claim (each, an "Additional Tort Claim"), each Issuer shall promptly advise the Indenture Trustee and the Class A Note Insurer in writing and take such actions as are reasonably requested by the Indenture Trustee or the Class A Note Insurer to grant security interests in such Additional Tort Claims to the Indenture Trustee, for the benefit of the Secured Parties, and each Issuer's authorization to file, or to amend, such financing statements as the Indenture Trustee may deem necessary or advisable to perfect its security interest in such Additional Tort Claim, it being understood and agreed that any tort claim constituting Proceeds of Collateral shall, as Proceeds, be subject to the Lien of this Indenture without any action taken on the part of any Issuer (and no Issuer shall be obligated to take any such action with respect to such tort claims unless and until requested to do so by the Indenture Trustee or the Class A Note Insurer).

Section 11.45. Identification. Each Issuer will cause the placement of reporting marks or such other marks, legends, or placards on the Railcars as shall be appropriate or necessary to comply with any regulation imposed by the STB, the AAR or any equivalent authority. Immediately following the Closing Date, except with respect to the reporting marks which are the subject of the Car Marks Agreement or the GNRR Agreement, each Issuer covenants to take

all, or cause its Affiliates to take all, necessary action to change the UMLER designation associated with the reporting marks relating to the Railcars so as to reflect such Issuer's ownership of said marks immediately following the Closing Date. The Issuer will cause each Railcar owned by such Issuer to be kept numbered with the road number serial number as shall be set forth on the Lease and Railcar Schedule. Except as otherwise contemplated in the Car Marks Agreement or the GNRR Agreement, no Issuer shall allow the name of any other Person, other than the related Issuer, to be placed on any Railcar as a designation that might be identified as a claim of any interest therein; provided, however, that nothing herein contained shall prohibit any Issuer or its permitted lessees from placing its name, trademarks, initials, customary colors and other insignia on any Railcar or from naming each Railcar. No Issuer shall change the identification number of any Railcar unless and until a statement of a new number or numbers to be substituted therefor shall have been delivered to the Indenture Trustee and the Class A Note Insurer and filed, recorded and deposited by each Issuer in all appropriate public offices, including the public offices where this Indenture shall have been filed, recorded and deposited.

Section 11.46. No Amendment to Any Lease. No Issuer shall amend, modify, consent to any change in the terms or otherwise alter any Lease, except as expressly permitted hereunder and under the Management Agreement or the Servicing Agreement.

Section 11.47. Transfer of Railcars Among Issuers. With the consent of the Controlling Party, upon satisfaction of the Rating Agency Condition, an Issuer may transfer or lease one or more Railcars and any related Railcar Assets (or interests therein) to another Issuer upon such terms as may be agreed upon by the Controlling Party, the relevant Issuers, the Manager, the Servicer and the Indenture Trustee.

ARTICLE XII

ACCOUNTS AND ACCOUNTINGS

Section 12.01. Collection of Money. Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to, or receivable by, the Indenture Trustee pursuant to this Indenture. The Indenture Trustee shall, (a) on or prior to the third Business Day following each Accounting Date (i) provide the Servicer and the Class A Note Insurer with a written statement or electronic access to account information setting forth (A) the amount of funds on deposit in the Collection Accounts as of such Accounting Date and (B) the amount of funds on deposit in the Cash Collateral Accounts as of such Accounting Date and (ii) provide the Servicer, the Manager and the Class A Note Insurer with a written statement or electronic access to account information setting forth the amount of funds on deposit in the Operating Expense Reserve Account (including the NARCAT OER Subaccount and the CARCAT OER Subaccount) and the Prefunding Account as of such Accounting Date and (b) upon request from the Servicer or the Manager, promptly provide the Servicer and/or the Manager with any additional information necessary to permit the Servicer and the Manager to perform their respective duties under the Servicing Agreement and the Management Agreement. The Indenture Trustee shall hold all such money and property so received by it as Collateral and shall apply it as provided in this

Indenture. If any Lease becomes a Defaulted Lease, the Indenture Trustee, upon the request of the Issuers or the Servicer may, and upon the request of the Controlling Party shall, take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and to proceed thereafter as provided in Article VI.

Section 12.02. Collection Accounts. (a) The Indenture Trustee represents and warrants that it has established two separate Collection Accounts, the NARCAT Collection Account and the CARCAT Collection Account, as segregated trust accounts at its Corporate Trust Office. The NARCAT Collection Account was established in the name of NARCAT and NARCAT Mexico, for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer, and the CARCAT Collection Account was established in the name of CARCAT, for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer. All payments to be made from time to time by the Issuers to the Holders out of funds in the Collection Accounts pursuant to this Indenture shall be made by the Indenture Trustee pursuant to the written direction of the Servicer (or, to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that such direction is incorrect, instructions given by the Controlling Party). All monies deposited from time to time in the Collection Accounts pursuant to this Indenture shall be held by the Indenture Trustee as Collateral as herein provided. Deposits to the Collection Accounts shall be as follows:

(i) The Indenture Trustee shall deposit, pursuant to the written direction of the Servicer (or, to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that such direction is incorrect, instructions given by the Controlling Party) to the NARCAT Collection Account (upon receipt, except as otherwise indicated): (i) all Collections received by the Indenture Trustee, whether from the Servicer, the Manager, the Issuers and through transfers pursuant to the lockbox arrangements set forth in the Servicing Agreement and Lockbox Agreements, or otherwise, in respect of Railcars owned by NARCAT or NARCAT Mexico and any Leases thereof; (ii) all earnings on the NARCAT Collection Account, the NARCAT OER Subaccount and the Prefunding Account; (iii) any monies required to be transferred from the NARCAT Cash Collateral Account or the Prefunding Account to the NARCAT Collection Account; (iv) any indemnification amounts paid by any Railcar Entity under the Asset Purchase Agreement, or by any guarantor thereof in respect of Railcars owned by NARCAT or NARCAT Mexico and any Leases thereof; (v) any monies required to be transferred to the NARCAT Collection Account from the Policy Payment Account.

(ii) The Indenture Trustee shall deposit, pursuant to the written direction of the Servicer (or, to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that such direction is incorrect, instructions given by the Controlling Party) to the CARCAT Collection Account (upon receipt, except as otherwise indicated): (i) all Collections received by the Indenture Trustee, whether from the Servicer, the Manager, the Issuers and through transfers pursuant to the lockbox arrangements set forth in the Servicing Agreement and Lockbox Agreements, or otherwise, in respect of Railcars owned by CARCAT and any Leases thereof; (ii) all

earnings on the CARCAT Collection Account and the CARCAT OER Subaccount; (iii) any monies required to be transferred from the CARCAT Cash Collateral Account to the CARCAT Collection Account; (iv) any indemnification amounts paid by any Railcar Entity under the Asset Purchase Agreement, or by any guarantor thereof in respect of Railcars owned by CARCAT and any Leases thereof; and (v) any monies required to be transferred to the CARCAT Collection Account from the Policy Payment Account.

(b) Upon an Issuer Order of NARCAT, with respect to the NARCAT Collection Account, and CARCAT, with respect to the CARCAT Collection Account, the Indenture Trustee shall invest the funds in the Collection Accounts in Eligible Investments. The Issuer Orders shall specify the Eligible Investments in which the Indenture Trustee shall invest, shall state that the same are Eligible Investments and shall further specify the percentage of funds to be invested in each Eligible Investment. No such Eligible Investment shall mature later than the Business Day preceding the next following Payment Date and shall not be sold or disposed of prior to its maturity. In the absence of an Issuer Order, the Indenture Trustee shall invest funds in the Collection Accounts in Eligible Investments described in clause (f) of the definition thereof. Eligible Investments shall be made in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer.

(c) Any income or other gain from investments in Eligible Investments as outlined in (b) above shall be credited to the applicable Collection Account and any loss resulting from such investments shall be charged to such account. Except as otherwise specifically set forth herein or as a result of its negligence or misconduct, the Indenture Trustee shall not be liable for any loss incurred on any funds invested in Eligible Investments pursuant to the provisions of this Section 12.02 (other than in its capacity as obligor under any Eligible Investment).

(d) On each Payment Date, unless the entire unpaid principal amount of the Notes shall have become due and payable pursuant to Section 6.02, then on such Payment Date, the Indenture Trustee, after giving effect to the Source of Funds Requirements and any transfers made pursuant to the Funds Transfer Agreement, shall withdraw from Available Funds on deposit in the Collection Accounts and shall make the following disbursements in the following order (it being understood that if the Notes have been accelerated pursuant to Section 6.02, then the Available Funds shall be distributed in accordance with Section 6.08); provided, however, that any Class A Note Insurer Optional Deposits shall be applied as directed by the Class A Note Insurer:

(i) to the Tax Payment Recipients, any Tax Payment Amounts then due and owing by any Issuer;

(ii) to the Indenture Trustee, the Backup Manager and the Backup Servicer, *pari passu*, the Trustee Fee, the Backup Manager Fee and the Backup Servicer Fee, respectively;

(iii) to the Lessees entitled thereto, any Railroad Mileage Credits to which they are entitled under the Leases;

(iv) to the Class A Note Insurer and the Indenture Trustee, *pari passu*, all out-of-pocket expenses incurred in connection with the transition to a successor Manager; provided, however, that the aggregate amount payable under this clause, together with any corresponding payments paid in accordance with Section 6.08 with respect to any one such transition shall not exceed \$200,000;

(v) to the Manager, the Manager Fee;

(vi) to the Manager for reimbursement for Operating Expenses made by the Manager in excess of amounts available therefor which are held in the Operating Expense Reserve Account; provided, however, that the aggregate amount payable on any Payment Date pursuant to this clause, together with any corresponding payments paid in accordance with Section 6.08, shall not exceed the Capped Manager Reimbursement;

(vii) to the Class A Note Insurer and the Indenture Trustee, *pari passu*, all out-of-pocket expenses incurred in connection with the transition to a successor Servicer; provided, however, that the aggregate amount payable under this clause, together with any corresponding payments paid in accordance with Section 6.08, with respect to any one such transition shall not exceed \$100,000;

(viii) to the Servicer, the Servicer Fee;

(ix) to the Indenture Trustee, for deposit in the Operating Expense Reserve Account, the applicable Operating Expense Deposit Amounts for the CARCAT OER Subaccount and the NARCAT OER Subaccount, subject to the provisions of Section 12.04(a);

(x) to the Holders of the Class A Notes, *pari passu*, an amount equal to the Class A Note Interest; provided, however, that, notwithstanding the foregoing, the Class A Note Insurer shall be entitled to receive, to the extent of Available Funds, all Incremental Class A Interest and all Class A Overdue Interest to the extent of any interest payments made by the Class A Note Insurer under, and in compliance with, the Class A Note Policy and interest thereon accruing at the Overdue Rate;

(xi) to the Class A Note Insurer, accrued Premium due with respect to the Class A Note Policy, reimbursement of any claims under the Class A Note Policy with respect to draws to pay Class A Note Interest, including any Class A Overdue Interest owed with respect thereto, any Incremental Class A Interest and, in an amount not to exceed \$50,000 in any calendar year, any other fees, expenses and indemnities owing to the Class A Note Insurer, together in each case with any interest thereon;

(xii) to the Indenture Trustee, for deposit to the NARCAT Cash Collateral Account and the CARCAT Cash Collateral Amount, *pari passu*, such amounts necessary to cause the amounts held therein to equal the Required NARCAT Cash Collateral Amount and the Required CARCAT Cash Collateral Amount, respectively;

(xiii) on the May 2004 Payment Date, and on each Payment Date thereafter, to the payment of the Basic Principal Payment in the following order of priority:

(A) to the Holders of the Class A-1 Notes, pari passu, until the Note Principal Balance of the Class A-1 Notes has been reduced to zero;

(B) to the Holders of the Class A-2 Notes, pari passu, until the Note Principal Balance of the Class A-2 Notes has been reduced to zero; and

(C) to the Holders of the Class A-3 Notes, pari passu, until the Note Principal Balance of the Class A-3 Notes has been reduced to zero;

(xiv) to the payment of the Supplemental Principal Payment in the following order or priority:

(A) in the case of any Regular Supplemental Principal Payment:

(I) to the Holders of the Class A-3 Notes, pari passu, until the Note Principal Balance of the Class A-3 Notes has been reduced to zero;

(II) to the Holders of the Class A-2 Notes, pari passu, until the Note Principal Balance of the Class A-2 Notes has been reduced to zero; and

(III) to the Holders of the Class A-1 Notes, pari passu, until the Note Principal Balance of the Class A-1 Notes has been reduced to zero; and

(B) if a Rapid Amortization Event exists, in the case of any Supplemental Principal Payment after payment of the Regular Supplemental Principal Payments:

(I) to the Holders of the Class A-3 Notes, pari passu, in an amount equal to the lesser of (x) the remaining principal balance of the Class A-3 Notes and (y) the amount of Available Funds then on deposit in the CARCAT Collection Account (without giving effect to any deposit of funds in the CARCAT Collection Account pursuant to the Funds Transfer Agreement in respect of this subclause (B));

(II) to the Holders of the Class A-2 Notes, pari passu, in an amount equal to the lesser of (x) the remaining principal balance of the Class A-2 Notes and (y) the sum of (i) the amount of Available Funds then on deposit in the NARCAT Collection Account and (ii) any remaining amount of Available Funds remaining on deposit in the CARCAT Collection Account after giving effect to the distributions under the preceding subclause (B)(I);

(III) to the Holders of the Class A-1 Notes, pari passu, in an amount equal to the lesser of (x) the remaining principal balance of the Class A-1 Notes and (y) the aggregate amount of Available Funds remaining on deposit in the NARCAT Collection Account and the CARCAT Collection Account after giving effect to the distributions under the preceding subclauses (B)(I) and (II); and

(IV) to the Holders of the Class A-3 Notes, pari passu, in an amount equal to the lesser of (x) the remaining principal balance of the Class A-3 Notes and (y) the aggregate amount of Available Funds remaining on deposit in the NARCAT Collection Account after giving effect to the distributions under the preceding subclauses (B)(II) and (III);

(xv) to the extent not previously paid, the Class A Note Insurer, the amount of any unreimbursed claims paid by the Class A Note Insurer under the Class A Note Policy with respect to principal on the Class A Notes, and any fees, expenses and indemnities owing to the Class A Note Insurer, together in each case with any interest owed thereon;

(xvi) to the Holders of the Class B Notes, pari passu, an amount equal to the accrued but unpaid Class B Note Interest;

(xvii) to the Holders of the Class B Notes, pari passu, in the following order of priority, until the Note Principal Balance of the Class B Notes has been reduced to zero:

(A) the Scheduled Class B Payment;

(B) on the Payment Date on which the Note Principal Balance of the Class A Notes is reduced to zero, any portion of the Basic Principal Payment for such Payment Date not paid to the Holders of the Class A Notes; and

(C) on each Payment Date thereafter, the Basic Principal Payment;

(xviii) to the Holders of the Class B Notes, pari passu, (i) on the Payment Date on which the Note Principal Balance of the Class A Notes is reduced to zero, any portion of the Supplemental Principal Payment not paid to the Holders of the Class A Notes, and (ii) on each Payment Date thereafter, the Supplemental Principal Payment, until the Note Principal Balance of the Class B Notes has been reduced to zero;

(xix) to the Indenture Trustee, the Backup Manager, the Backup Servicer and the Class A Note Insurer, pari passu, any fees, expenses and indemnities owing thereto but not previously paid;

(xx) to the Manager, any expenses, indemnities and reimbursement payments owing thereto but not previously paid;

(xxi) to the Servicer, any expenses, indemnities and reimbursement payments owing thereto but not previously paid;

(xxii) to the Manager, the Supplemental Manager Fee; and

(xxiii) to the Issuers.

Notwithstanding any other provision of this Indenture, funds paid to the Issuers pursuant to clause (xxiii) above automatically shall be released from the Lien of the Indenture.

In making the withdrawals and payments required by this Section 12.02(d), and in making the reports and accounting referred to in Section 12.10, the Indenture Trustee shall act in accordance with the Monthly Servicer Report, and shall be fully protected in relying thereon, unless (x) a Responsible Officer has actual knowledge to the contrary or the Controlling Party has notified the Indenture Trustee that a Servicer Event of Termination has occurred and is continuing and has given instructions contrary to those contained in the Monthly Servicer Report, or (y) no Monthly Servicing Report has been delivered or the Controlling Party has instructed the Indenture Trustee that the Monthly Servicer Report is incorrect, in which case the Indenture Trustee shall rely upon the written instructions of the Controlling Party, and shall be fully protected in relying thereon.

(e) In addition, at the direction of the Servicer, and irrespective of whether a Default or Event of Default shall have occurred and be continuing (except a Servicer Event of Termination, in which case at the direction of the Controlling Party unless otherwise directed by the Controlling Party), the Indenture Trustee shall withdraw from the Collection Accounts and remit to the Servicer for delivery to the Person(s) entitled thereto prior to any distributions made in accordance with Section 12.02(d) or Section 6.08 on any Payment Date: (i) amounts other than Collections received from Lessees or other parties with respect to the Leases or the Railcars, (ii) amounts received in respect of Leases and Railcars due on or before (A) the Closing Date, with respect to Initial Existing Leases, (B) the Prefunded Railcar Acquisition Date, with respect to Prefunded Existing Leases or (C) the date transferred to any Issuer, with respect to Subsequent Leases transferred to any Issuer, (iii) amounts received in respect of Leases and Railcars following the purchase thereof by the Manager pursuant to the Management Agreement or the Servicer pursuant to the Servicing Agreement or the sale thereof as contemplated in Section 8.02 and (iv) indemnification amounts to be remitted to the Initial Manager pursuant to Section 4.04(f) of the Management Agreement; provided, however, that no withdrawal or remittance shall be made pursuant to this Section 12.02(e) at any time during which a Default or Event of Default shall have occurred and be continuing unless the Servicer shall have provided to the Controlling Party not less than five Business Days' notice thereof.

(f) With respect to the distributions to be made pursuant to Section 12.02(d) above or Section 6.08(a) (unless otherwise directed by the Controlling Party after an acceleration of the Notes following an Event of Default), the term "Source of Funds Requirements" shall mean, as of any Payment Date, the following:

(i) any Tax Payment Amounts to be disbursed pursuant to Section 12.02(d)(i) or Section 6.08(a)(i) shall be withdrawn by the Paying Agent from the NARCAT Collection Account to the extent that such Tax Payment Amounts shall be due and owing by NARCAT or NARCAT Mexico (or owed by Holdco with respect to the activities of such entities), and from the CARCAT Collection Account to the extent that such Tax Payment Amounts shall be due and owing by CARCAT (or owed by Holdco with respect to the activities of such entity);

(ii) any amounts to be disbursed pursuant to Sections 12.02(d)(ii), (vii), (viii), (xv), (xix), (xxi) and (xxii) or Sections 6.08(a)(ii), (vii), (viii), (xiv), (xvii), (xix) and (xx) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the aggregate Note Principal Balance of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, and the aggregate Note Principal Balance of the Class A-3 Notes, respectively, which shall be Outstanding on such Payment Date prior to giving effect to any payments of principal to be made on such Payment Date;

(iii) any amounts to be disbursed pursuant to Section 12.02(d)(iii) or Section 6.08(a)(iii) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the aggregate amount of Railroad Mileage Credits payable on such Payment Date to Lessees under Leases of Railcars owned by the NARCAT Entities and the aggregate amount of Railroad Mileage Credits payable on such Payment Date to Lessees under Leases of Railcars owned by CARCAT, respectively;

(iv) any amounts to be disbursed pursuant to Section 12.02(d)(iv) or Section 6.08(a)(iv) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the Stated Values of all Railcars owned by the NARCAT Entities and CARCAT, respectively, as of the related Accounting Date;

(v) any amounts to be disbursed pursuant to Section 12.02(d)(v) or Section 6.08(a)(v) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the number of Railcars owned by the NARCAT Entities and CARCAT, respectively, as of the related Accounting Date;

(vi) any amounts to be disbursed pursuant to Sections 12.02(d)(vi) and (xx) or Sections 6.08(a)(vi) and (xviii) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the ownership of the Railcars in respect of which the subject Operating Expenses or other expenses, indemnities or reimbursement payments shall relate;

(vii) any amounts to be disbursed pursuant to Section 12.02(d)(ix) or Section 6.08(a)(ix) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the

amount required to be deposited into the Operating Expense Reserve Account in respect of Railcars owned by the NARCAT Entities and CARCAT, respectively;

(viii) any amounts to be disbursed pursuant to Section 12.02(d)(x), (xi), (xiii) or (xiv) or Sections 6.08(a)(x), (xi) or (xiii) in respect of principal, Class A Note Interest, Incremental Class A Note Interest and Class A Overdue Interest on the Class A-1 Notes or the Class A-2 Notes, and any amounts to be disbursed pursuant to Sections 12.02(d)(xvi), (xvii) or (xviii) or Sections 6.08(a)(xv) or (xvi) in respect of principal of the Class B Notes or Class B Note Interest, shall be withdrawn by the Paying Agent from the NARCAT Collection Account;

(ix) any amounts to be disbursed pursuant to Section 12.02(d)(x), (xi), (xiii) or (xiv) or Sections 6.08(a)(x), (xi) or (xiii) in respect of principal, Class A Note Interest, Incremental Class A Interest and Class A Overdue Interest on the Class A-3 Notes shall be withdrawn by the Paying Agent from the CARCAT Collection Account;

(x) any amounts to be disbursed pursuant to Section 12.02(d)(xi) or Section 6.08(a)(xi), in respect of Premium due with respect to the Class A Note Policy shall be withdrawn by the Paying Agent from the NARCAT Collection Account;

(xi) any amounts to be disbursed pursuant to Section 12.02(d)(xi) or Section 6.08(a)(xi) in respect of reimbursement of claims under the Class A Note Policy with respect to draws to pay interest on the Class A-1 Notes or the Class A-2 Notes (including any related Class A-1 Overdue Interest and Class A-2 Overdue Interest owed with respect thereto) shall be withdrawn by the Paying Agent from the NARCAT Collection Account;

(xii) any amounts to be disbursed pursuant to Section 12.02(d)(xi) or Section 6.08(a)(xi) in respect of reimbursement of claims under the Class A Note Policy with respect to draws to pay interest on the Class A-3 Notes (including any related Class A-3 Overdue Interest owed with respect thereto) shall be withdrawn by the Paying Agent from the CARCAT Collection Account;

(xiii) any amounts to be disbursed pursuant to Section 12.02(d)(xi) or Section 6.08(a)(xi) in respect of payments not referenced in clauses (x), (xi) or (xii) of this Section 12.02(f) shall be drawn from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the aggregate Note Principal Balance of the Class A-1 Notes and the Class A-2 Notes, and the aggregate Note Principal Balance of the Class A-3 Notes, respectively, which shall be outstanding on such Payment Date prior to giving effect to any payments of principal to be made on such Payment Date; and

(xiv) any amounts to be disbursed pursuant to Section 12.02(d)(xii) or Section 6.08(a)(xii) shall be withdrawn by the Paying Agent from the NARCAT Collection Account and the CARCAT Collection Account, pro rata, based upon the

amount required to be deposited in the NARCAT Cash Collateral Account and the CARCAT Cash Collateral Account on such Payment Date.

If the Notes have been accelerated following an Event of Default and the Controlling Party directs that funds be paid other than in accordance with the above Source of Funds, then Available Funds may be applied towards the payment of amounts set forth in Section 6.08(a) in the order of priority set forth therein without regard to the limitations set forth in this Section 12.02(f).

Section 12.03. Cash Collateral Accounts. (a) On or prior to the Closing Date, the Issuers shall cause the Indenture Trustee to establish and maintain two separate Cash Collateral Accounts, the NARCAT Cash Collateral Account and the CARCAT Cash Collateral Account, as segregated trust accounts at its Corporate Trust Office. The NARCAT Cash Collateral Account was established in the name of NARCAT and NARCAT Mexico, and pledged to the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer, and the CARCAT Cash Collateral Account was established in the name of CARCAT, and pledged to the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer. On the Closing Date, NARCAT and NARCAT Mexico shall deposit, out of the proceeds of the issuance of the Class A-1 Notes, Class A-2 Notes and the Class B Notes, the Initial NARCAT Cash Collateral Deposit to the NARCAT Cash Collateral Account, and CARCAT shall deposit, out of the proceeds of the issuance of the Class A-3 Notes, the Initial CARCAT Cash Collateral Deposit to the CARCAT Cash Collateral Account. On each Payment Date thereafter, the NARCAT Cash Collateral Account shall be funded up to the Required NARCAT Cash Collateral Amount and the CARCAT Cash Collateral Account shall be funded up to the Required CARCAT Cash Collateral Amount from amounts available in the NARCAT Collection Account and the CARCAT Collection Account, respectively, in accordance with Section 12.02(d) or Section 6.08, as applicable. On each Payment Date based solely upon the information contained in the Monthly Servicer Report (or, to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that the Monthly Servicer Report is incorrect, instructions given by the Controlling Party), (a) the Indenture Trustee will transfer funds from the NARCAT Cash Collateral Account to the NARCAT Collection Account to the extent necessary to fund any deficiencies in the amounts to be distributed pursuant to clause (x) of Section 12.02(d) or clause (x) of Section 6.08(a) in respect of the Class A-1 Notes or the Class A-2 Notes and pursuant to clause (xi) of Section 12.02(d) or clause (xi) of Section 6.08(a) to pay accrued Premiums due with respect to the Class A Note Policy, to reimburse the Class A Note Insurer with respect to claims made under the Class A Note Policy with respect to draws to pay Class A Note Interest under the Class A-1 Notes and/or the Class A-2 Notes and a limited amount of other fees, expenses and indemnities owing to the Class A Note Insurer, and (b) the Indenture Trustee will transfer funds from the CARCAT Cash Collateral Account to the CARCAT Collection Account to the extent necessary to fund any deficiencies in the amounts to be distributed pursuant to clause (x) of Section 12.02(d) or clause (x) of Section 6.08(a) in respect of the Class A-3 Notes and pursuant to clause (xi) of Section 12.02(d) or clause (xi) of Section 6.08(a) to pay accrued Premiums due with respect to the Class A Note Policy, to reimburse the Class A Note Insurer with respect to claims made under the Class A Note Policy with respect to draws to pay Class A Note Interest under the Class A-3 Notes and a limited amount of other fees, expenses and indemnities owing to the Class A Note Insurer. Amounts in

the Cash Collateral Accounts shall be withdrawn solely to pay such amounts and shall not be available to the Holders or the Indenture Trustee for any other purpose; provided, however, that on the Stated Legal Maturity Date, all amounts on deposit in the NARCAT Cash Collateral Account will be deposited in the NARCAT Collection Account and all amounts on deposit in the CARCAT Cash Collateral Account will be deposited in the CARCAT Collection Account.

(b) Upon an Issuer Order of NARCAT, with respect to the NARCAT Cash Collateral Account, and CARCAT, with respect to the CARCAT Cash Collateral Account, the Indenture Trustee shall invest the funds in the Cash Collateral Accounts in Eligible Investments that will mature no later than the Business Day preceding the next Payment Date. In the absence of an Issuer Order, the Indenture Trustee shall invest funds in the Cash Collateral Account in Eligible Investments described in clause (f) of the definition thereof. All income or other gain from such investments shall be credited to such Cash Collateral Account and any loss resulting from such investments shall be charged to such Cash Collateral Account. Eligible Investments shall be made in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer.

(c) If any amounts invested as provided in Section 12.03(b) shall be needed for disbursement from either Cash Collateral Account as set forth in Section 12.03(a) or (d), the Indenture Trustee shall cause such investments of such Cash Collateral Account to be sold or otherwise converted to cash to the credit of such Cash Collateral Account. The Indenture Trustee shall not be liable for any investment loss resulting from investment of money in the Cash Collateral Accounts in any Eligible Investment in accordance with the terms hereof (other than in its capacity as obligor under any Eligible Investment) except as a result of its negligence or misconduct.

(d) If on any Payment Date the amount in either Cash Collateral Account, after giving effect to the distributions and withdrawals required pursuant to this Section 12.03 on the related Payment Date and the deposits into such account on such Payment Date, is greater than the Required NARCAT Cash Collateral Amount or Required CARCAT Cash Collateral Amount, as applicable, the amount of such excess shall be distributed by the Indenture Trustee as Available Funds in accordance with Section 12.02(d) or Section 6.08, as applicable.

Section 12.04. Operating Expense Reserve Account. (a) On or prior to the Closing Date, the Issuers shall cause the Indenture Trustee to establish and maintain a segregated trust account entitled "Railcar Notes Expense Reserve Account" at its Corporate Trust Office (the "Operating Expense Reserve Account") for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer. The Operating Expense Reserve Account shall consist of (a) a segregated subaccount (the "NARCAT OER Subaccount") in the name of NARCAT and NARCAT Mexico for the benefit of the Indenture Trustee on behalf of the Class A Note Insurer and the Holders and (b) a segregated subaccount (the "CARCAT OER Subaccount") in the name of CARCAT for the benefit of the Indenture Trustee on behalf of the Class A Note Insurer and the Holders. The Operating Expense Reserve Account will not be funded at closing. On each Payment Date, the Indenture Trustee shall, in accordance with instructions in the Monthly Servicer Report (or, to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that the Monthly Servicer Report is incorrect, instructions given by

the Controlling Party), transfer from (i) the NARCAT Collection Account to the NARCAT OER Subaccount the lesser of (x) the Operating Expense Deposit Amount related to each U.S. Railcar and each Mexican Railcar, and (y) an amount required to cause the balance of such subaccount (after giving effect to all amounts disbursed therefrom on such Payment Date) to equal \$1,300,000 (the "NARCAT OER Subaccount Required Balance"), and (b) the CARCAT Collection Account to the CARCAT OER Subaccount the lesser of (x) the Operating Expense Deposit Amount related to each Canadian Railcar, and (y) an amount required to cause the balance of such subaccount (after giving effect to all amounts disbursed therefrom on such Payment Date) to equal \$700,000 (the "CARCAT OER Subaccount Required Balance"). Any such transfers shall be made in accordance with the Source of Funds Requirements and to the extent of Available Funds remaining after the payments having a higher priority in Section 6.08 or Section 12.02(d), as applicable. Funds will be withdrawn from the NARCAT OER Subaccount and the CARCAT OER Subaccount to make the distributions described in Section 12.04(d) and shall not be available to the Holders or the Indenture Trustee for any other purpose; provided, however, that on the Stated Legal Maturity Date, all amounts on deposit in the NARCAT OER Subaccount will be deposited in the NARCAT Collection Account and all amounts on deposit in the CARCAT OER Subaccount will be deposited in the CARCAT Collection Account and paid as Available Funds pursuant to Section 12.02(d) or Section 6.08, as applicable. Upon release of the Lien of this Indenture, any amounts remaining on deposit in the NARCAT OER Subaccount will be returned to NARCAT and NARCAT Mexico in accordance with their respective interests therein or their designees and all amounts on deposit in the CARCAT OER Subaccount will be returned to CARCAT or its designees.

(b) Upon an Issuer Order of (i) NARCAT and NARCAT Mexico, in the case of the NARCAT OER Subaccount, and (b) CARCAT, in the case of the CARCAT OER Subaccount, all or a portion of the Operating Expense Reserve Account shall be invested and reinvested at such Issuers' written direction in one or more Eligible Investments maturing no later than the Business Day prior to any disbursements made from such account. In the absence of an Issuer Order, the Indenture Trustee shall invest funds in the Operating Expense Reserve Account in Eligible Investments described in clause (f) of the definition thereof. Earnings on amounts on deposit in the (a) NARCAT OER Subaccount shall be retained within the NARCAT OER Subaccount, except that on any Payment Date, amounts on deposit in the NARCAT OER Subaccount in excess of the NARCAT OER Subaccount Required Balance (after all required applications of such amounts on such date) shall be transferred to the NARCAT Collection Account, and (b) the CARCAT OER Subaccount shall be retained within the CARCAT OER Subaccount, except that on any Payment Date, amounts on deposit in the CARCAT OER Subaccount in excess of the CARCAT OER Subaccount Required Balance (after all required applications of such amounts on such date) shall be transferred to the CARCAT Collection Account. Any loss resulting from such investments shall be charged to the applicable subaccount. Eligible Investments shall be made in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer.

(c) If any amounts invested as provided in Section 12.04(b) shall be needed for disbursement from the NARCAT OER Subaccount or the CARCAT OER Subaccount as set forth in Section 12.04(a) or (d), the Indenture Trustee shall cause such investments of the applicable subaccount to be sold or otherwise converted to cash to the credit of such subaccount.

The Indenture Trustee shall not be liable for any investment loss resulting from investment of money in the NARCAT OER Subaccount or the CARCAT OER Subaccount in any Eligible Investment in accordance with the terms hereof (other than in its capacity as obligor under any Eligible Investment) except as a result of its negligence or misconduct.

(d) Disbursements shall be made from the (a) NARCAT OER Subaccount for any Operating Expense related to the U.S. Railcars or the Mexican Railcars, or (b) CARCAT OER Subaccount for any Operating Expenses related to the Canadian Railcars, as applicable, in accordance with the Management Agreement, to reimburse the Manager for any actual maintenance expenses incurred in connection with the Railcars and as to which the Manager shall have delivered to the Indenture Trustee a Maintenance Expense Reimbursement Request pursuant to Section 2.06(b) of the Management Agreement; provided, however, that such disbursements shall be made no more frequently than once per week.

Section 12.05. Policy Payment Account. (a) On or prior to the Closing Date, the Indenture Trustee shall establish a segregated trust account entitled "Policy Payment Account" at its Corporate Trust Office (the "Policy Payment Account") in the name of the Indenture Trustee for the benefit of the Holders of the Class A Notes and the Class A Note Insurer. The Policy Payment Account will contain two segregated subaccounts, one of which (the "CARCAT Policy Payment Subaccount") will be maintained exclusively for the benefit of the Indenture Trustee on behalf of the Holders of the Class A-3 Notes and the Class A Note Insurer and the other of which (the "NARCAT Policy Payment Subaccount") will be maintained exclusively for the benefit of the Indenture Trustee on behalf of the Holders of the Class A-1 Notes, the Class A-2 Notes and the Class A Note Insurer. Upon receipt of a Policy Claim Amount to be distributed to the Holders of the Class A Notes from the Class A Note Insurer, the Indenture Trustee shall deposit the amounts of such Policy Claim Amount related to principal of, or interest on, (a) the Class A-3 Notes to the CARCAT Policy Payment Subaccount of the Policy Payment Account and (b) the Class A-1 Notes and the Class A-2 Notes to the NARCAT Policy Payment Subaccount of the Policy Payment Account. To the extent the Indenture Trustee or the Payment Agent is uncertain as to the applicable subaccount to which a deposit of a portion of the Policy Claim Amount applies, the direction of the Class A Note Insurer shall be conclusive. All amounts on deposit in the Policy Payment Account shall remain uninvested. On each Payment Date, the Indenture Trustee shall (i) transfer any Policy Claim Amount then on deposit in the Policy Payment Account directly to the Holders of the Class A Notes or other Persons entitled to such amounts and (ii) return to the Class A Note Insurer any money in the Policy Payment Account which does not constitute a Policy Claim Amount or an amount paid pursuant to Section 13.02.

Section 12.06. Prefunding Account. (a) On or prior to the Closing Date, the Indenture Trustee shall establish a segregated trust account entitled "Railcar Notes Prefunding Account" at its Corporate Trust Office (the "Prefunding Account") in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer. On the Closing Date, NARCAT shall deposit, out of the proceeds of the issuance of the Class A-1 Notes, Class A-2 Notes and the Class B Notes, the Prefunded Amount into the Prefunding Account. Funds will be withdrawn from the Prefunding Account in accordance with Section 12.06(d) and shall not be available to the Holders or the Indenture Trustee for any other purpose; provided, however, that any amounts

which shall for any reason be held in the Prefunding Account on the Payment Date next succeeding the Prefunded Railcar Expiration Date, together with earnings on amounts in the Prefunding Account, shall on such Payment Date be withdrawn by the Indenture Trustee and deposited to the NARCAT Collection Account for application on such Payment Date as Available Funds pursuant to Section 12.02(d) or Section 6.08, as applicable.

(b) All or a portion of the amounts held in the Prefunding Account shall be invested and reinvested at NARCAT's written direction in one or more Eligible Investments maturing no later than the Business Day prior to the Prefunded Railcar Acquisition Date. In the absence of such written direction, the Indenture Trustee shall invest funds in the Prefunding Account in Eligible Investments described in clause (f) of the definition thereof. All income or other gain from such investments shall be credited to the Prefunding Account and any loss resulting from such investments shall be charged to the Prefunding Account. Eligible Investments shall be made in the name of the Indenture Trustee for the benefit of the Holders and the Class A Note Insurer.

(c) If any amounts invested as provided in Section 12.06(b) shall be needed for disbursement from the Prefunding Account as set forth in Section 12.06(a) or (d), the Indenture Trustee shall cause such investments of such Prefunding Account to be sold or otherwise converted to cash to the credit of such Prefunding Account. The Indenture Trustee shall not be liable for any investment loss resulting from investment of money in the Prefunding Account in any Eligible Investment in accordance with the terms hereof (other than in its capacity as obligor under any Eligible Investment) except as a result of its negligence or misconduct.

(d) Upon a written direction executed by NARCAT and the Controlling Party, on or prior to the Prefunded Railcar Acquisition Date, the Indenture Trustee shall transfer the Prefunded Amount or such lesser amount agreed to by such parties by wire transfer, in immediately available funds, to the account identified in Schedule VI hereto (or such other account located in the United States as the specified owner of such account shall designate in writing to the Indenture Trustee) as the payment of the option price payable in respect of the purchase option related to the Prefunded Railcar Assets contained in the Asset Purchase Agreement.

Section 12.07. Redemption Account. Promptly following receipt of notice of a proposed redemption of Notes in accordance with Section 14.01, the Indenture Trustee shall establish a segregated trust account entitled "Redemption Account" at its Corporate Trust Office (the "Redemption Account") for the benefit of the Indenture Trustee on behalf of the Holders of the Notes and the Class A Note Insurer for receipt of the Redemption Prices of the Notes to be redeemed. The Redemption Account will contain two segregated subaccounts, one of which (the "CARCAT Redemption Subaccount") will be maintained in the name of CARCAT and be held exclusively for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer and the other of which (the "NARCAT Redemption Subaccount") will be maintained in the name of NARCAT and NARCAT Mexico and be held exclusively for the benefit of the Indenture Trustee on behalf of the Holders and the Class A Note Insurer. The Redemption Price related to the Class A-3 Notes shall be deposited into the CARCAT Redemption Subaccount and the Redemption Prices related to the Class A-1 Notes, the Class A-2 Notes and the Class B Notes shall be deposited into the NARCAT Redemption

Account. All amounts on deposit in the Redemption Account (including the CARCAT Redemption Subaccount and the NARCAT Redemption Subaccount) shall remain uninvested. On any Redemption Date, the Indenture Trustee shall (i) withdraw from the CARCAT Redemption Subaccount the Redemption Price of all Class A-3 Notes to be redeemed on such Redemption Date and (ii) withdraw from the NARCAT Redemption Subaccount the Redemption Prices of all Class A-1 Notes, Class A-2 Notes and Class B Notes to be redeemed on such Redemption Date, and the Paying Agent will remit the Redemption Prices to the applicable Holders.

Section 12.08. Optional Deposits by the Class A Note Insurer. The Class A Note Insurer shall at any time, and from time to time, with respect to a Payment Date, have the option (but shall not be required, except in accordance with the terms of the Class A Note Policy) to deliver amounts (any such amount, a "Class A Note Insurer Optional Deposit") to the Indenture Trustee for deposit into one or both of the Collection Accounts for any of the following purposes: (a) to provide funds in respect of the payment of fees or expenses of any provider of services to the Issuers with respect to such Payment Date; (b) to distribute as a component of the Basic Principal Payments or Supplemental Principal Payments to the extent necessary to avoid the occurrence of an Event of Default or a Rapid Amortization Event; or (c) to include such amount as part of the Class A Note Interest for such Payment Date to the extent that without such amount a draw would be required to be made on the Class A Note Policy.

Section 12.09. Securities Account. The Indenture Trustee agrees that any account held by it hereunder shall be maintained as a "securities account" as defined in the Uniform Commercial Code as in effect in New York (the "New York UCC"), and that it shall be acting as a "securities intermediary" for the Indenture Trustee on behalf of the Secured Parties as the "entitlement holder" (as such terms are defined in Section 8-102(a) of the New York UCC) with respect to each such account. The parties hereto agree that each account shall be governed by the laws of the State of New York, and regardless of any provision in any other agreement, the "securities intermediary's jurisdiction" (within the meaning of Section 8-110 of the New York UCC) shall be the State of New York. The Indenture Trustee acknowledges and agrees that (a) each item of property (whether investment property, financial asset, security, instrument or cash) credited to the Accounts shall be treated as a "financial asset" within the meaning of Section 8-102(a)(9) of the New York UCC and (b) notwithstanding anything to the contrary, if at any time the Indenture Trustee shall receive any entitlement order from the Indenture Trustee directing transfer or redemption of any financial asset relating to the accounts, the Indenture Trustee shall comply with such entitlement order without further consent by any Person. In the event of any conflict of any provision of this Section 12.09 with any other provision of this Indenture or any other agreement or document, the provisions of this Section 12.09 shall prevail.

Section 12.10. Reports by Indenture Trustee to Holders. (a) On each Payment Date, the Indenture Trustee shall account to the Class A Note Insurer and each Holder to which payments of principal and interest are then being made the amount which represents principal and the amount which represents interest, and shall contemporaneously advise the Issuers of all such payments. The Indenture Trustee may satisfy its obligations under this Section 12.10 by making available electronically the Monthly Servicer Report to the Class A Note Insurer and each such Holder of the Notes and the Issuers. The Indenture Trustee may make available to the Class A

Note Insurer, the Holders, the Note Owners, the Servicer, the Manager, the Issuers and the Rating Agencies, via the Indenture Trustee's Internet website, the Monthly Servicer Report and the Monthly Manager Report available each month; provided, however, the Indenture Trustee shall have no obligation to provide such information described in this Section 12.10 until it has received the requisite information from the Issuers or the Servicer. The Indenture Trustee will make no representation or warranties as to the accuracy or completeness of such documents for which it is not the original source and will assume no responsibility therefor.

The Indenture Trustee's Internet website shall be initially located at "www.CTSLink.com" or at such other address as shall be specified by the Indenture Trustee from time to time in writing to the Class A Note Insurer, the Holders, the Note Owners, the Servicer, the Manager, the Issuers and the Rating Agencies. In connection with providing access to the Indenture Trustee's Internet website, the Indenture Trustee may require registration and the acceptance of a disclaimer. The Indenture Trustee shall not be liable for the dissemination of information in accordance with the Servicing Agreement, the Management Agreement or this Indenture.

(b) On or before the 15th day prior to a Final Payment Date with respect to any Notes, the Indenture Trustee shall provide notice to the Holders of such Notes of the Final Payment Date for such Notes. Such notice shall include a statement that interest shall have ceased to accrue as of the last day of the month preceding the month in which the Final Payment Date occurs and shall state the address to which any Holder of a Definitive Note must surrender its Note prior to final payment.

(c) At least annually, or as otherwise required by law, the Indenture Trustee shall distribute to Holders any information returns or other tax information or statements as are required by applicable tax law to be distributed to the Holders or as may be requested by any Holder to prepare such Holder's tax returns. The Issuers shall prepare or cause to be prepared all such information for distribution by the Indenture Trustee to the Holders.

ARTICLE XIII

THE CLASS A NOTE POLICY

Section 13.01. Claims under the Class A Note Policy. (a) If on any Determination Date, the Policy Claim Amount is greater than zero, the Indenture Trustee shall furnish to the Class A Note Insurer no later than 11:00 a.m. Eastern time on the related Draw Date a completed Notice of Claim (as defined in Section 13.01(b)) in the amount of the Policy Claim Amount. Amounts paid by the Class A Note Insurer pursuant to a claim submitted under this Section 13.01 shall be deposited by the Indenture Trustee into the Policy Payment Account for payment to Holders of the Class A Notes on the related Payment Date (or promptly following payment by the Class A Note Insurer on a later date as set forth in the Class A Note Policy).

(b) Any notice delivered by the Indenture Trustee to the Class A Note Insurer pursuant to subsection 13.01(a) shall specify the Policy Claim Amount claimed under the Class A Note Policy and shall constitute a "Notice of Claim" under the Class A Note Policy. In accordance

with the provisions of the Class A Note Policy, the Class A Note Insurer is required to pay to the Indenture Trustee the Policy Claim Amount properly claimed thereunder by 12:00 noon, New York, New York time, on the later of (i) the third Business Day (as defined in the Class A Note Policy) following receipt on a Business Day (as defined in the Class A Note Policy) of the Notice of Claim, and (ii) the applicable Payment Date. Any payment made by the Class A Note Insurer under the Class A Note Policy shall be applied solely to the payment of the Class A Notes, and for no other purpose.

(c) The Indenture Trustee shall (i) receive as attorney-in-fact of each Holder any Policy Claim Amount from the Class A Note Insurer and (ii) deposit the same in the Policy Payment Account for distribution to Holders of the Class A Notes. Any and all Policy Claim Amounts disbursed by the Indenture Trustee from claims made under the Class A Note Policy shall not be considered payment by the Issuers with respect to such Class A Notes, and shall not discharge the obligations of the Issuers with respect thereto. The Insurer shall, to the extent it makes any payment with respect to the Class A Notes, become subrogated to the rights of the recipients of such payments to the extent of such payments and any interest thereon. Subject to and conditioned upon any payment with respect to the Class A Notes by or on behalf of the Class A Note Insurer, each Holder of Class A Notes shall be deemed without further action to have directed the Indenture Trustee to irrevocably assign to the Class A Note Insurer all rights to the payment of interest or principal with respect to the Class A Notes which are then due for payment to the extent of all payments made by the Class A Note Insurer, and any interest owed thereon, and the Class A Note Insurer may exercise any option, vote, right, power or the like with respect to the Class A Notes to the extent that it has made payment with respect thereto pursuant to the Class A Note Policy. To evidence such subrogation, the Note Registrar shall note the Class A Note Insurer's rights as subrogee upon the register of Holders upon receipt from the Class A Note Insurer of proof of payment by the Class A Note Insurer of any Note Interest, Basic Principal Payment or Supplemental Principal Payment in respect of the Class A Notes, and the Class A Note Insurer shall be deemed to be a Class A Note Owner and Holder of Class A Notes to the extent of such rights of subrogation. The foregoing subrogation shall in all cases be subject to the rights of the Holders to receive all payments in respect of the Class A Notes.

(d) The Indenture Trustee shall keep a complete and accurate record of all funds deposited by the Class A Note Insurer into the Policy Payment Account with respect to the Class A Note Policy and the allocation of such funds to payment of interest and principal paid in respect of any Class A Note. The Class A Note Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Indenture Trustee.

(e) The Indenture Trustee shall be entitled to enforce on behalf of the Holders of the Class A Notes the obligations of the Class A Note Insurer under the Class A Note Policy. Notwithstanding any other provision of this Indenture or any other Transaction Document, the Holders of the Class A Notes are not entitled to institute proceedings directly against the Class A Note Insurer.

Section 13.02. Preference Claims. (a) In the event that the Indenture Trustee has received a certified copy of an order of the appropriate court that any payment of principal or interest (other than Overdue Class A Interest or Incremental Class A Interest) paid on a Class A Note has

been avoided in whole or in part as a preference payment under applicable U.S. or Canadian bankruptcy law, the Indenture Trustee shall so notify the Class A Note Insurer, shall comply with the provisions of the Class A Note Policy to obtain payment by the Class A Note Insurer of such avoided payment, and shall, at the time it provides notice to the Class A Note Insurer, notify Holders of the Class A Notes by mail that, in the event that any Holder's payment is so recoverable, such Holder will be entitled to payment pursuant to the terms of the Class A Note Policy. The Indenture Trustee shall furnish to the Class A Note Insurer its records evidencing the payments of principal and interest on the Class A Notes, if any, which have been made by the Indenture Trustee and subsequently recovered from Holders of Class A Notes, and the dates on which such payments were made. Pursuant to the terms of the Class A Note Policy, the Class A Note Insurer will make such payment on behalf of the Holder to the receiver, conservator, debtor-in-possession or trustee in bankruptcy named in the Order (as defined in the Class A Note Policy) or to the Indenture Trustee for distribution to such receiver, conservator, debtor-in-possession or trustee in bankruptcy and not to any Holder directly (unless a Holder has previously paid such payment to the receiver, conservator, debtor-in-possession or trustee in bankruptcy, in which case the Class A Note Insurer will make such payment to such Holder or to the Indenture Trustee for distribution, in accordance with the instructions to be provided by the Class A Note Insurer, to such Holder upon proof of such payment reasonably satisfactory to the Class A Note Insurer).

(b) Each Notice of Claim shall provide that the Indenture Trustee, on its behalf and on behalf of the Holders of Class A Notes, thereby appoints the Class A Note Insurer as agent and attorney-in-fact for the Indenture Trustee and each Holder of Class A Notes in any legal proceeding with respect to the Class A Notes. The Indenture Trustee shall promptly notify the Class A Note Insurer of any proceeding or the institution of any action (of which a Responsible Officer of the Indenture Trustee has actual knowledge) seeking the avoidance as a preferential transfer under applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (a "Preference Claim") of any distribution made with respect to the Class A Notes. Each Holder of Class A Notes, by its purchase thereof, and the Indenture Trustee hereby agree that so long as an Class A Note Insurer Default shall not have occurred and be continuing, the Class A Note Insurer may at any time during the continuation of any proceeding relating to a Preference Claim direct all matters relating to such Preference Claim, including, without limitation, (i) the direction of any appeal of any order relating to any Preference Claim and (ii) the posting of any surety, supersedeas or performance bond pending any such appeal at the expense of the Class A Note Insurer, but subject to reimbursement as provided in the Insurance Agreement. In addition, and without limitation of the foregoing, as set forth in Section 13.01(c), the Class A Note Insurer shall be subrogated to, and each Holder of Class A Notes and the Indenture Trustee hereby delegate and assign, to the fullest extent permitted by law, the rights of the Indenture Trustee and each Holder in the conduct of any proceeding with respect to a Preference Claim, including, without limitation, all rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Preference Claim.

Section 13.03. Surrender of Class A Note Policy. The Indenture Trustee shall surrender the Class A Note Policy to the Class A Note Insurer for cancellation upon the expiration of the Class A Note Policy in accordance with the terms thereof.

Section 13.04. Class A Note Insurer Deemed Holder for Certain Purposes. So long as no Class A Note Insurer Default has occurred and is continuing, (a) the Class A Note Insurer shall be deemed to be the Holder of 100% of the Class A Notes for the purposes of giving any consents, waivers, approvals, instructions, directions, declarations, notices and/or taking any other action pursuant to the Indenture and the other Transaction Documents except for any consents, waivers, approvals or other actions which, under the terms of Section 9.02, expressly require the consent of all Holders; and (b) the Class A Note Insurer shall have the right to exercise all remedies of the Holders of the Class A Notes under this Indenture without any consent of such Holders, and such Holders may exercise such remedies only with the prior written consent of the Class A Note Insurer, except as otherwise expressly provided herein. Any reference in the Indenture or any other Transaction Document to events or actions which may materially, adversely, or detrimentally affecting the rights or interests of the Holders, or words of similar meaning, shall be deemed to refer to the rights or interests of the Class A Note Insurer as well as of the Holders.

ARTICLE XIV

REDEMPTION OF NOTES

Section 14.01. Redemption at the Option of the Issuers; Election to Redeem. (a) The Notes may be redeemed in whole, but not in part, at the option of the Issuers, for the Redemption Prices applicable at such time on any Payment Date on or after February 15, 2011. Any such redemption shall be made solely out of the proceeds of the sale by the Issuers of Railcars, Leases and other Railcar Assets, or a refinancing by the Issuers of Railcars, Leases and other Railcar Assets (in either case, "Source Payments").

(b) In addition, the Notes may be redeemed in whole, but not in part, for the Redemption Prices applicable at such time on any Payment Date on which (after giving effect to distributions on such Payment Date) the aggregate unpaid principal amount of the Notes is less than 10% of the aggregate principal amount of the Notes as of the Closing Date, such prepayment to be at the option of NARCAT and NARCAT Mexico, in the case of the Class A-1 Notes, the Class A-2 Notes and the Class B Notes, and at the option of CARCAT, in the case of the Class A-3 Notes; provided, however, that (i) such options must be exercised concurrently by each of the Issuers (otherwise, no such option may be exercised by any of the Issuers) and (ii) concurrently with such redemption, all amounts higher than clause (xxi) of Section 6.08(a) or clause (xxiii) of Section 12.02(d) shall be paid to the parties entitled to such amounts on such Payment Date.

(c) The Issuers shall set the Redemption Date and the Redemption Record Date and give notice thereof to the Indenture Trustee pursuant to Section 14.02.

(d) Installments of interest and principal due on or prior to a Redemption Date shall continue to be payable to the Holders of Notes called for redemption as of the relevant Record Dates according to their terms and the provisions of Section 3.01. The election of the Issuers to redeem any Notes pursuant to this Section 14.01 shall be evidenced by a Board Resolution of each Issuer directing the Indenture Trustee to make the payment of the Redemption Prices on all of the Notes to be redeemed from monies deposited with the Indenture Trustee pursuant to Section 14.04.

Section 14.02. Notice to Indenture Trustee and Class A Note Insurer. In the case of any redemption pursuant to Section 14.01, the Issuers shall, at least 20 days prior to the Redemption Date (or such lesser period of time as may be consented to by the Indenture Trustee and, in the event that any Class A Notes shall then be Outstanding, the Class A Note Insurer), notify the Indenture Trustee and, in the event that any Class A Notes shall then be Outstanding, the Class A Note Insurer of such Redemption Date.

Section 14.03. Notice of Redemption by the Issuers. Notice of redemption pursuant to Section 14.01 shall be given by the Issuers (or by the Indenture Trustee at the Issuers' request) in the name and at the expense of the Issuers by first-class mail, postage prepaid, mailed not less than 15 days prior to the applicable Redemption Date, to each Holder of Notes whose Notes are to be redeemed, at its address in the Note Register.

All notices of redemption shall state:

- (a) the Redemption Date;
- (b) the Redemption Prices for all Notes to be redeemed;
- (c) that on the Redemption Date, the Redemption Prices will become due and payable upon each such Note, and that interest thereon shall cease to accrue on such date; and
- (d) the place where such Notes are to be surrendered prior to payment of the applicable Redemption Price.

Failure to give notice of redemption, or any defect therein, to any Holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Note.

Section 14.04. Deposit of the Redemption Prices. (a) On or before the Business Day immediately preceding the Redemption Date, the Issuers shall deliver to the Indenture Trustee, the portion of the Redemption Differential related to the Class A-1 Notes, the Class A-2 Notes and the Class B Notes for deposit to the NARCAT Redemption Subaccount and the portion of the Redemption Differential related to the Class A-3 Notes for deposit to the CARCAT Redemption Subaccount, if any, which, in the case of an Optional Redemption, shall consist solely of Source Payments.

(b) On or before the Redemption Date, the Indenture Trustee will, in accordance with the Monthly Servicer Report (or to the extent not available on a timely basis or if the Controlling Party has notified the Indenture Trustee that the Monthly Servicer Report is incorrect, the instructions of the Controlling Party) transfer from (i) the Cash Collateral Accounts to the Redemption Account, the Remaining Cash Collateral Amounts, and (ii) the Collection Accounts to the Redemption Account, the lesser of (a) the amount on deposit in the Collection Account not needed to pay any amounts higher than clause (xxi) of Section 6.08(a) or clause (xxiii) of Section 12.02(d) to be paid on such Redemption Date and (b) the Redemption Price.

(c) Notice of redemption having been given as provided in Section 14.03 above, on the applicable Redemption Date, the Indenture Trustee will apply the amounts on deposit in the NARCAT Redemption Subaccount and the CARCAT Redemption Subaccount to redemption of the Notes which have not been fully paid on such Payment Date pursuant to Section 12.02(d) or Section 6.08, as applicable (provided that Definitive Notes must be surrendered at the Corporate Trust Office prior to final payment), and (unless the Class A Note Insurer in the case of the Class A Notes or the Issuers in the case of the Class B Notes shall default in the payment of the Redemption Price), such Notes shall cease to bear interest.

Section 14.05. Notes Payable on Redemption Date. Notice of redemption having been given as provided in Section 14.03, the Notes to be redeemed shall, on the applicable Redemption Date, become due and payable at the Redemption Price and on such Redemption Date (unless the Issuers shall default in the payment of the Redemption Price) such Notes shall cease to bear interest. The Holders of such Notes shall be paid the applicable Redemption Price by the Paying Agent on behalf of the Issuers on the Redemption Date; provided, however, that installments of principal and interest which are due on or prior to the Redemption Date shall be payable to the Holders of such Notes registered as such on the relevant Record Dates according to their terms and the provisions of Section 3.08.

If the Holders of any Note called for redemption shall not be so paid the principal shall, until paid, bear interest from the Redemption Date at the related Note Interest Rate.

ARTICLE XV

PROVISIONS OF GENERAL APPLICATION

Section 15.01. General Provisions. All of the provisions of this Article XV shall apply to this Indenture.

Section 15.02. Acts of Holders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuers. Such instrument or

instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 7.01) conclusive in favor of the Indenture Trustee and the Issuers, if made in the manner provided in this Section 15.02.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Note shall bind the Holder of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuers in reliance thereon, whether or not notation of such action is made upon such Note.

Section 15.03. Notices, Etc, to Indenture Trustee, Issuers, the Class A Note Insurer and Rating Agencies. Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with any Person shall be in writing and shall be delivered personally or mailed by first-class registered or certified mail, postage prepaid, or by telephonic facsimile transmission or overnight delivery service, prepaid, at the address listed below or at any other address previously furnished in writing to the Indenture Trustee and each of the other entities referred to in this Section 15.03 by the applicable Person. Any such notice shall be deemed delivered upon its actual receipt; provided, however, that if any such notice is delivered on a day that is not a Business Day at the place of delivery, such notice shall be deemed to have been delivered on the immediately following Business Day; provided further, however, that if tender of any notice is refused by the addressee, such notice shall be deemed to have been delivered upon such tender.

To the Indenture Trustee: Wells Fargo Bank, National Association
MAC N9311-161
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services -
Asset-Backed Administration
Phone: (612) 667-8058
Fax: (612) 667-3464

To the Issuers: NARCAT LLC
480 West Dussel Drive
Suite R
Maumee, Ohio 43537
Attention: Betsy Hall, Esq.
Phone: (419) 893-5050
Fax: (419) 491-6695

CARCAT ULC
480 West Dussel Drive
Suite R
Maumee, Ohio 43537
Attention: Betsy Hall, Esq.
Phone: (419) 893-5050
Fax: (419) 491-6695

NARCAT Mexico, S. de R.L. de C.V.
480 West Dussel Drive
Suite R
Maumee, Ohio 43537
Attention: Betsy Hall, Esq.
Phone: (419) 893-5050
Fax: (419) 491-6695

To S&P: Standard & Poor's
55 Water Street
New York, New York 10041
Attention: Surveillance
Phone: (212) 438-2385
Fax: (212) 438-2649

To Fitch: Fitch, Inc.
55 East Monroe Street
Suite 3500
Chicago, Illinois 60603
Attention: ABS Monitoring Group
(Equipment)
Fax: (312) 368-2069

To the Class A Note Insurer: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management -
SF
Phone: (914) 273-4545
Fax: (914) 765-3131

Section 15.04. Notices to Holders; Waiver. Where this Indenture provides for notice to Holders of any event such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, or by overnight courier, to each Holder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders, and any notice which is mailed by certified or registered mail, with return receipt requested, shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Holders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 15.05. Successors and Assigns. All covenants and agreements in this Indenture by the Issuers shall bind their respective successors and assigns, whether so expressed or not.

Section 15.06. Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 15.07. Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, the Holders, the Class A Note Insurer and any Paying Agent which may be appointed pursuant to the provisions hereof and any of their successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture or under the Notes. The Class A Note Insurer is an express third-party beneficiary of this Indenture and is entitled to rely upon and enforce the terms hereof as if a party hereto.

Section 15.08. Legal Holidays. In any case where the date of any Payment Date, or the Stated Legal Maturity Date of any Note, shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment of principal, interest, or premium, if any, need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the nominal date of any such Stated Legal Maturity Date or Payment Date, and interest shall accrue for the period from and after any such nominal date to the date such payment is actually made.

SECTION 15.09. GOVERNING LAW. THIS INDENTURE AND EACH NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN (INCLUDING, WITHOUT LIMITATION, SECTION 5-1401 AND SECTION 5-1402 OF THE GENERAL OBLIGATIONS LAWS, BUT OTHERWISE WITHOUT GIVING EFFECT TO PRINCIPLES OF CONFLICTS OF LAWS).

Section 15.10. Counterparts. This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument. Delivery by facsimile of

an executed signature page to this Indenture shall be as effective as delivery of an executed counterpart hereof.

Section 15.11. Corporate Obligation. No recourse may be taken, directly or indirectly, against any incorporator, subscriber to the capital stock, stockholder, employee, officer or director of any Issuer or of any predecessor or successor of any Issuer with respect to the Issuer's obligations on the Notes or under this Indenture or any certificate or other writing delivered in connection herewith.

Section 15.12. Compliance Certificates and Opinions. Upon any application, order or request by the Issuers to the Indenture Trustee and the Class A Note Insurer to take any action under any provision of this Indenture for which a specific request is required under this Indenture, the Issuers shall furnish to the Indenture Trustee an Officer's Certificate of the Issuers stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, except that in the case of any such application or request as to which the furnishing of other documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement that each individual signing such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(c) a statement that, in the opinion of each such individual, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such individual, such condition or covenant has been complied with.

Section 15.13. No Bankruptcy Petition Against any Issuer. Notwithstanding anything herein to the contrary, the Indenture Trustee agrees (and each Holder by its acceptance of a Note shall be deemed to agree) that, prior to the date that is one year and one day after the payment in full of all amounts payable with respect to the Notes, and all other obligations of the Issuers under this Indenture and the other Transaction Documents, it will not institute against any Issuer, or join any other Person in instituting against any Issuer, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States, any state of the United States or any foreign jurisdiction. This Section 15.13 shall survive the termination of this Indenture.

SECTION 15.14. WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG ANY OF THEM ARISING OUT OF, CONNECTED WITH, RELATING TO OR INCIDENTAL TO THE RELATIONSHIP BETWEEN THEM IN CONNECTION WITH THIS INDENTURE OR THE OTHER TRANSACTION DOCUMENTS.

SECTION 15.15. CONSENT TO JURISDICTION. EACH OF THE PARTIES HERETO HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND OF ANY NEW YORK STATE COURT SITTING IN THE CITY OF NEW YORK FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS INDENTURE, ANY OTHER TRANSACTION DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. NOTHING IN THIS SECTION 15.15 SHALL AFFECT THE RIGHT OF ANY PERSON TO BRING ANY ACTION OR PROCEEDING AGAINST ANY PARTY HERETO OR ANY OF THEIR RESPECTIVE PROPERTY IN THE COURTS OF OTHER JURISDICTIONS.

Section 15.16. Integration. This Indenture contains the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall (together with the other Transaction Documents) constitute the entire agreement among the parties hereto with respect to the subject matter hereof, superseding all prior oral or written understandings.

Section 15.17. Successors and Assigns; Binding Effect. This Indenture shall be binding on the parties hereto and their respective successors and assigns; provided, however, that no Issuer shall assign (or shall permit or cause the assignment of) any of its rights, duties or obligations related to or in connection with this Indenture or any of the other Transaction Documents, without the prior written consent the Indenture Trustee (acting at the direction of the Controlling Party and the Class A Note Insurer).

Section 15.18. Further Assurances. Each of the Issuers hereby agrees to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by the other party or by the Controlling Party to more fully to effect the purposes of this Indenture.

Section 15.19. Expenses. Each of the Issuers hereby jointly and severally agrees to pay all out-of-pocket costs and expenses incurred by the Indenture Trustee and the Class A Note Insurer in connection with the development, negotiation, preparation and execution of this Indenture and the other Transaction Documents, in connection with any amendments, modifications or waivers

of the provisions of this Indenture or any other Transaction Document (whether or not the transactions thereby contemplated shall be consummated), or in connection with any actual or proposed sale or replacement of any Railcar Asset or incurred by the Indenture Trustee and the Class A Note Insurer in connection with the enforcement or protection of its rights in connection with this Indenture and the other Transaction Documents or in connection with the agreements made hereunder and, in connection with any such enforcement or protection, the fees, charges and disbursements of any counsel for the Indenture Trustee and the Class A Note Insurer.

Section 15.20. Survival of Representations and Warranties. All agreements, representation and warranties made herein shall survive the execution and delivery of this Indenture, the Notes and the other Transaction Documents and the making and repayment of the Notes.

Section 15.21. Interest Calculations. Whenever interest is calculated pursuant to any provision of this Indenture on the basis of a period other than a calendar year, the annual rate of interest to which such rate of interest as determined by such calculation is equivalent, for purposes of the Interest Act (Canada), is such rate as so calculated multiplied by a fraction, the numerator of which is the actual number of days in the particular calendar year in respect of which the calculation is made, and the denominator of which is the number of days used in the calculation.

IN WITNESS WHEREOF, the Issuers and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized and their respective seals, duly attested, to be hereunto affixed, all as of the day and year first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Indenture Trustee

By: /s/ Joe Nardi

Name: Joe Nardi
Title: Vice President

NARCAT LLC, as an Issuer

By: /s/ Rasesh H. Shah

Name: Rasesh H. Shah
Title: Manager

CARCAT ULC, as an Issuer

By: /s/ Rasesh H. Shah

Name: Rasesh H. Shah
Title: President/Secretary

NARCAT MEXICO, S. DE R.L. DE C.V., as an
Issuer

By: /s/ Rasesh H. Shah

Name: Rasesh H. Shah
Title: Legal Representative

=====

NARCAT LLC,
CARCAT ULC and
NARCAT MEXICO, S. DE R.L. DE C.V.,
as the Companies

THE ANDERSONS, INC.,
as the Manager

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Indenture Trustee and as the Backup Manager

MANAGEMENT AGREEMENT

Dated as of February 12, 2004

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MANAGEMENT AGREEMENT, dated as of February 12, 2004 (this "Agreement"), by and among NARCAT LLC ("NARCAT"), a Delaware limited liability company, CARCAT ULC ("CARCAT"), a Nova Scotia unlimited liability company, and NARCAT MEXICO, S. DE R.L. DE C.V. ("NARCAT Mexico"), a Mexican limited liability company with variable capital, (each, a "Company" and collectively, the "Companies"), THE ANDERSONS, INC. ("The Andersons"), an Ohio corporation, as the manager (the "Manager"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), a national banking association, as the indenture trustee (the "Indenture Trustee") and as the backup manager (the "Backup Manager").

PRELIMINARY STATEMENT

The Companies are entering into an Indenture, dated as of February 12, 2004 (as amended or supplemented from time to time, the "Indenture"), among the Companies and the Indenture Trustee, pursuant to which the Companies will issue, jointly and severally, \$29,000,000 aggregate principal amount of their 2.79% Class A-1 Railcar Notes due 2019, \$21,000,000 aggregate principal amount of their 4.57% Class A-2 Railcar Notes due 2019, \$31,400,000 of their 5.13% Class A-3 Railcar Notes due 2019 and \$5,000,000 aggregate principal amount of their 14.00% Class B Railcar Notes due 2019 (collectively, the "Notes"). The obligations of the Companies under the Notes and the Indenture will be secured by the Railcars, Leases and the other Railcar Assets (as such capitalized terms are defined herein).

NARCAT is entering into a Sale Agreement, dated as of February 12, 2004 (the "NARCAT Sale Agreement"), with Cap Acquire, LLC (the "NARCAT Seller") providing for, among other things, the sale by the NARCAT Seller to NARCAT of certain Railcars, Leases and the other Railcar Assets which NARCAT is and will be pledging to the Indenture Trustee, and in which NARCAT is granting to the Indenture Trustee a security interest.

CARCAT is entering into a Sale Agreement, dated as of February 12, 2004 (the "CARCAT Sale Agreement"), with Cap Acquire Canada ULC (the "CARCAT Seller") providing for, among other things, the sale by the CARCAT Seller of certain Railcars, Leases and other Railcar Assets which CARCAT is and will be pledging to the Indenture Trustee, and in which CARCAT is granting to the Indenture Trustee a security interest.

NARCAT Mexico is entering into a Sale Agreement, dated as of February 12, 2004 (the "NARCAT Mexico Sale Agreement" and, together with the NARCAT Sale Agreement and the CARCAT Sale Agreement, the "Sale Agreements"), with Cap Acquire Mexico, S. de R.L. de C.V. (the "NARCAT Mexico Seller" and, together with the NARCAT Seller and the CARCAT Seller, the "Sellers") providing for, among other things, the sale by the NARCAT Mexico Seller of certain Railcars, Leases and other Railcar Assets which NARCAT Mexico is and will be pledging to the Indenture Trustee, and in which NARCAT Mexico is granting to the Indenture Trustee a security interest.

It is a condition precedent to the issuance of the Notes under the Indenture that, on or prior to the Closing Date (as defined in the Indenture), the Companies enter into this Agreement

with the Manager and the Backup Manager to provide for the management of the Railcars. In order to further secure each Company's obligations under the Indenture and the Notes, each Company is granting to the Indenture Trustee a security interest in, among other things, such Company's rights derived under this Agreement, and the Manager agrees that all covenants and agreements made by the Manager herein with respect to the Railcars, Leases and the other Railcar Assets shall also be for the benefit and security of the Class A Note Insurer (as defined herein), the Indenture Trustee and all Holders of the Notes. For its services hereunder, the Manager will receive the Manager Fee and the Supplemental Manager Fee as set forth in Section 2.05.

On the date hereof, the Companies, Wells Fargo, as the Indenture Trustee and as the backup servicer, and The Andersons (the "Servicer") are entering into a servicing agreement (the "Servicing Agreement") for the purpose of engaging the Servicer to receive and apply, as required under the Indenture, all collections received with respect to the Railcars and Leases and to perform Lessee monitoring, collection and enforcement activities, to perform record keeping and to prepare servicer reports, among other things, all as described in the Servicing Agreement.

The Manager is engaged in the business of owning, leasing, managing and servicing railcars for itself and for others, and each Company desires to retain the Manager, on the terms and conditions set forth in this Agreement, to perform operating, maintenance, insurance and remarketing services on behalf of each Company in respect of the Railcars and Leases of each such Company.

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms. Subject to Section 1.02, except as otherwise specified or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms:

"AAR" shall have the meaning set forth in the Indenture.

"Action" shall mean any action, claim, suit, litigation, arbitration or governmental investigation.

"Advance Rate" shall mean 90% of the Stated Value of any Railcar.

"Affiliate" shall have the meaning set forth in the Indenture.

"Agreement" shall mean this Management Agreement as amended, restated or supplemented from time to time as permitted hereby.

"Anderson Family" shall mean any of (i) any child or descendant of Harold Anderson, the founder of The Andersons, Inc., (ii) any spouse or former spouse of any individual described in the preceding clause (i), and (iii) any trust, the beneficiaries of which are any one or more of the individuals described in the preceding clauses (i) or (ii). For purposes of this definition, an adopted child shall be considered a lineal descendant.

"APA Seller Documents" shall mean the Asset Purchase Agreement, the Car Mark Agreement, the GNRR Agreement, the Railcar Storage Agreement and all other agreements, instruments and/or documents executed by any Railcar Entity in favor of a Seller or a Company.

"Asset Purchase Agreement" shall have the meaning set forth in the Indenture.

"Authorized Officer" shall have the meaning set forth in the Indenture.

"Backup Manager" shall have the meaning set forth in the preamble to this Agreement.

"Backup Manager Fee" shall mean the fees of the Backup Manager set forth in that certain fee letter, dated February 12, 2004, and acknowledged on February 12, 2004 by the Companies.

"Board of Directors" shall mean the Board of Directors of the Manager or any duly authorized committee of such Board.

"Business Day" shall have the meaning set forth in the Indenture.

"Canadian Registry" shall mean the Office of the Registrar General of Canada, which maintains the database pursuant to Section 105 of the Canada Transportation Act.

"Car Mark Agreement" shall have the meaning set forth in the Indenture.

"CARCAT" shall have the meaning set forth in the preamble to this Agreement.

"CARCAT Collection Account" shall have the meaning set forth in the Indenture.

"CARCAT OER Subaccount" shall have the meaning set forth in the Indenture.

"CARCAT Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"CARCAT Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Change of Control" shall mean (a) any Person or group (within the meaning of Rule 13d-5 of the Securities Exchange Act of 1934 as in effect on the date hereof) shall own directly or indirectly, beneficially or of record, shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the

Manager; provided, however, that any Person which shall be a member of the Anderson Family shall be excluded from determinations made under this clause (a); or (b) a majority of the seats (other than vacant seats) on the Board of Directors of the Manager shall at any time be occupied by persons who were neither (i) nominated by the Board of Directors of the Manager, nor (ii) appointed by directors so nominated.

"Class A Note Insurer" shall mean MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or its successors in interest.

"Class A Note Insurer Default" shall have the meaning set forth in the Indenture.

"Closing Date" shall have the meaning set forth in the Indenture.

"Collateral" shall have the meaning set forth in the Indenture.

"Collection Accounts" shall have the meaning set forth in the Indenture.

"Collection Period" shall have the meaning set forth in the Indenture.

"Collections" shall have the meaning set forth in the Indenture.

"Company" or "Companies" shall have the meaning set forth in the preamble to this Agreement.

"Concentration Limits" shall have the meaning set forth in the Indenture.

"Continued Errors" shall have the meaning set forth in Section 6.05(d).

"Controlling Party" shall have the meaning set forth in the Indenture.

"Determination Date" shall have the meaning set forth in the Indenture.

"DOT" shall mean the United States Department of Transportation.

"Eligible Railcar" shall have the meaning set forth in the Indenture.

"Environmental Law" shall have the meaning set forth in the Indenture.

"Errors" shall have the meaning set forth in Section 6.05(d).

"Event of Default" shall have the meaning set forth in the Indenture.

"Event of Loss" shall have the meaning set forth in the Indenture.

"FRA" shall mean the Federal Railroad Administration.

"Full Service Lease" shall have the meaning set forth in the Indenture.

"GAAP" shall have the meaning set forth in the Indenture.

"GNRR Agreement" shall have the meaning set forth in the Indenture.

"Governmental Authority" shall have the meaning set forth in the Indenture.

"Hazardous Commodities" shall have the meaning set forth in the Indenture.

"Holder" or "Holders" shall have the meaning set forth in the Indenture.

"Indemnified Parties" shall have the meaning set forth in Section 5.04.

"Indenture" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Indenture Trustee" shall have the meaning set forth in the preamble to this Agreement.

"Initial Manager" shall mean The Andersons and any of its Affiliates.

"Insurance Policy" shall have the meaning set forth in the Indenture.

"Insurance Proceeds" shall have the meaning set forth in the Indenture.

"Insurers" shall have the meaning set forth in the Indenture.

"Interchange Rules" shall have the meaning set forth in the Sale Agreements.

"Knowledge of the Manager" shall mean the actual knowledge, after due inquiry, of the officers of the Manager or any Affiliate of the Manager responsible for matters relating to the Manager's performance of its obligations hereunder.

"Law" shall have the meaning set forth in the Indenture.

"Lease" shall have the meaning set forth in the Indenture.

"Lease File" and "Lease Files" shall have the meanings set forth in the Servicing Agreement.

"Lease and Railcar Schedule" shall have the meaning set forth in the Indenture.

"Lessee" shall have the meaning set forth in the Indenture.

"Lessor" shall mean the lessor under each related Lease, or a successor or assignee of such lessor.

"Liens" shall have the meaning set forth in the Indenture.

"Lockbox Account" shall have the meaning set forth in the Servicing Agreement.

"Lockbox Agreements" shall have the meaning set forth in the Servicing Agreement.

"Lockbox Bank" shall have the meaning set forth in the Servicing Agreement.

"Maintenance Expense Reimbursement Request" shall have the meaning set forth in Section 2.06(b).

"Majority Holders" shall have the meaning set forth in the Indenture.

"Manager" shall have the meaning set forth in the preamble to this Agreement, or any Successor Manager appointed pursuant to Section 6.01.

"Manager Events of Termination" shall mean each of the occurrences or circumstances enumerated in Section 6.01.

"Manager Fee" shall mean a monthly fee equal to \$25.00 per Railcar per month (whether or not such Railcar is then subject to a Lease); provided, however, that the Manager Fee, at the direction of the Controlling Party, may be increased to up to \$37.50 per Railcar (whether or not such Railcar is then subject to a Lease) per month in the event that any Person other than the Initial Manager shall be the Manager.

"Manager Standard" shall have the meaning set forth in Section 2.01(b).

"Manager Termination Notice" shall have the meaning set forth in Section 6.01(b).

"Material Adverse Effect" shall have the meaning set forth in the Indenture.

"Modified Lease" shall mean any Lease in which the Lessee is responsible for repairs to specific items such as gates, hatch covers, doors, or other items specified in the Lease, and the Lessor is responsible for all other maintenance.

"Monthly Manager Report" shall have the meaning set forth in Section 3.01.

"NARCAT" shall have the meaning set forth in the preamble to this Agreement.

"NARCAT Collection Account" shall have the meaning set forth in the Indenture.

"NARCAT Mexico" shall have the meaning set forth in the preamble to this Agreement.

"NARCAT Mexico Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT Mexico Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT OER Subaccount" shall have the meaning set forth in the Indenture.

"NARCAT Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Note Principal Balance" shall have the meaning set forth in the Indenture.

"Note Register" shall have the meaning set forth in the Indenture.

"Notes" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Officer's Certificate" shall mean a certificate signed by the Chairman of the Board, the Vice Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Manager.

"Operating Expense Reserve Account" shall have the meaning set forth in the Indenture.

"Operating Expense Reserve Subaccounts" shall mean, collectively, the CARCAT OER Subaccount and the NARCAT OER Subaccount.

"Operating Expenses" shall have the meaning set forth in Section 2.06(a).

"Opinion of Counsel" shall mean a written opinion of counsel who, unless otherwise specified, may be in-house counsel employed full time by the Person (or an affiliate of such Person) required to deliver the opinion.

"Optional Modification" shall have the meaning set forth in Section 2.04(b).

"Outstanding" shall have the meaning set forth in the Indenture.

"Payment Date" shall have the meaning set forth in the Indenture.

"Permitted Adjustments" shall mean any of the adjustments described on Schedule II hereto.

"Permitted Liens" shall have the meaning set forth in the Indenture.

"Person" shall have the meaning set forth in the Indenture.

"PPSA" shall mean the Personal Property Security Act (Nova Scotia).

"Predecessor Manager Work Product" shall have the meaning set forth in Section 6.05(d).

"Prefunded Existing Lease" shall have the meaning set forth in the Indenture.

"Prefunded Lease and Railcar Schedule" shall have the meaning set forth in the NARCAT Sale Agreement.

"Prefunded Railcar" shall have the meaning set forth in the Indenture.

"Prefunded Railcar Acquisition Date" shall have the meaning set forth in the Indenture.

"Prime Rate" shall have the meaning set forth in the Indenture.

"Purchase" shall mean a purchase by the Manager of a Railcar and any related Lease and other related Railcar Assets pursuant to Section 4.04.

"Purchase Price" shall have the meaning set forth in Section 4.04(c).

"Railcar" or "Railcars" shall have the meaning set forth in the Indenture.

"Railcar Assets" shall have the meaning set forth in the Indenture.

"Railcar Entities" shall have the meaning set forth in the Indenture.

"Railcar Storage Agreement" shall mean that certain Railcar Storage Agreement, dated as of February 12, 2004, by and between Progress Rail Services Corporation, Cap Acquire, LLC, Cap Acquire Canada ULC and Cap Acquire Mexico, S. de R.L. de C.V. as the same may be amended, restated, supplemented or otherwise modified from time in accordance with its terms.

"Railroad Mileage Credits" shall have the meaning set forth in the Indenture.

"Rapid Amortization Event" shall have the meaning set forth in the Indenture.

"Rating Agencies" shall have the meaning set forth in the Indenture.

"Rating Agency Condition" shall have the meaning set forth in the Indenture.

"Relevant Company" shall have the meaning set forth in the Servicing Agreement.

"Relevant Sale Agreement" shall mean (i) with respect to CARCAT, the CARCAT Sale Agreement, (ii) with respect to NARCAT Mexico, the NARCAT Mexico Sale Agreement and (iii) with respect to NARCAT, the NARCAT Sale Agreement.

"Reported Companies" shall mean The Andersons, if the Manager is The Andersons, or for any Successor Manager appointed pursuant to this Agreement, such Successor Manager and its parent and its Affiliates on a consolidated basis.

"Reported Companies' Financial Statements" shall mean the Reported Companies' audited, consolidated financial statements (including consolidated balance sheets, statements of earnings, retained earnings and cash flows) including all notes to the audited financial statements and auditors opinion regarding the audited financial statements, all prepared in accordance with generally accepted accounting principles.

"Required Modification" shall have the meaning set forth in Section 2.04(a).

"Sale Agreements" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Scrapped Railcar" shall have the meaning set forth in the Indenture.

"Secured Parties" shall have the meaning set forth in the Indenture.

"Sellers" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Separate Person" shall have the meaning set forth in Section 2.10.

"Servicer" shall have the meaning set forth in the preamble to the Servicing Agreement, or any Successor Servicer appointed pursuant to Section 6.01 of the Servicing Agreement.

"Servicing Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Servicer Event of Termination" shall have the meaning set forth in the Servicing Agreement.

"Solvent" shall have the meaning set forth in the Indenture.

"Stated Value" shall have the meaning set forth in the Indenture.

"STB" shall have the meaning set forth in the Indenture.

"Subsequent Lease" shall have the meaning set forth in the Indenture.

"Substitute Railcar" shall mean any Railcar substituted pursuant to Section 4.04 which (i) is an Eligible Railcar, (ii) has a Stated Value not less than the Stated Value of the Railcar for which it is substituted and (iii) is of a similar type, and has a similar term of service, to the Railcar for which it is substituted.

"Successor Manager" shall have the meaning set forth in Section 6.01(b).

"Supplemental Manager Fee" shall mean a monthly fee equal to \$37.50 per Railcar minus the then-applicable Manager Fee per Railcar per month (whether or not such Railcar is then subject to a lease).

"Tangible Net Worth" shall mean with respect to any Person as of any particular date, (a) consolidated net worth, (b) minus the consolidated book value of intangible assets, (c) plus the consolidated book amount of long term deferred income. Additionally, "Tangible Net Worth" shall not include any assets or liabilities related to The Andersons' investments in special purpose entities established to facilitate the acquisition of certain rail assets from Progress Rail Services, Railcar Ltd., or any of their Affiliates.

"The Andersons" shall have the meaning set forth in the preamble to this Agreement.

"TOP CAT" shall have the meaning set forth in the Servicing Agreement.

"Transaction Documents" shall have the meaning set forth in the Indenture.

"Trustee Fee" shall have the meaning set forth in the Indenture.

"UCC" shall mean Article 9 of the Uniform Commercial Code as in effect in an applicable jurisdiction within the United States.

"UMLER" shall have the meaning set forth in the Indenture.

Section 1.02. Terms Defined in the Indenture, Sale Agreements or Servicing Agreement. For the purposes of this Agreement, capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Indenture or, if not defined therein, in the Sale Agreements or the Servicing Agreement, as applicable.

ARTICLE II

MANAGEMENT OF RAILCARS

Section 2.01. The Manager to Act as Manager; Standard of Care; Covenants Concerning Railcars and Leases. (a) Each Company hereby retains The Andersons as Manager hereunder, as an independent contractor for the purpose of undertaking and performing the services described in this Agreement, and The Andersons hereby agrees to act as Manager on the terms and conditions set forth herein.

(b) All of the functions, services, duties and obligations of the Manager under this Agreement shall be performed by the Manager at a level of care and diligence consistent with customary commercial practices as would be used by a prudent Person in the railcar leasing and management industry and the level of care and diligence utilized by the Manager in its business

and in the management of the Manager's own fleet of railcars, if any, in order for each Company to be able to perform its obligations under the Leases and the other applicable Transaction Documents (the "Manager Standard"). The Manager agrees that management of the Railcars shall be carried out in accordance with the Manager Standard.

(c) The Manager shall not be required to threaten or commence any legal or other proceedings before any court or Governmental Authority or nongovernmental organization in connection with its performance or actions hereunder if, in the Manager's reasonable judgment consistent with the Manager Standard, the potential expense or risk associated with such exercise or action is such that the Manager would not undertake such exercise or action with respect to other railcars owned, leased or managed by the Manager.

(d) The Manager shall not create or permit to exist any Lien on any Railcar, Lease or other Railcar Asset other than a Permitted Lien.

(e) The Manager shall, in connection with the performance of the services provided for herein, comply in all material respects with all Laws applicable to the Manager, any Company, the Railcars, the Leases and the other Railcar Assets.

(f) The duties and obligations of the Manager will be limited to those expressly set forth in this Agreement, and the Manager will not have any fiduciary or other implied duties or obligations, except as provided herein.

(g) The Manager shall not take any action, without the consent of the Indenture Trustee (acting at the direction of the Controlling Party), which would release any Person from any of its covenants or obligations under any of the Leases or under any other instrument included in the Collateral, which action or release would materially and adversely affect the interests of the Class A Note Insurer, the Holders or the Indenture Trustee in any such Lease or which would result in the amendment, hypothecation, subordination, termination, set off or discharge of, or impair the validity or effectiveness of, any of the Leases or any such instrument, except as expressly provided herein and therein.

(h) The parties hereto acknowledge that each Company shall retain title to, and ownership and exclusive control of, its Collateral (subject to the Lien of the Indenture). Except as expressly permitted hereunder, the Manager will not acquire any title to, security interest in, or other rights of any kind in or to the Railcars, the Leases or any other Railcar Assets. The Manager agrees not to file any Lien, exercise any right of setoff against, or attach or assert any claim in, any of the Railcars, the Leases or any other Railcar Assets, unless authorized pursuant to a judicial or administrative proceeding or a court order or on behalf of any Company or the Indenture Trustee in accordance with this Agreement or the Indenture.

(i) The Manager shall maintain, at its own expense, an insurance policy, with coverage appropriate and customary in the industry with responsible companies on all officers or employees of the Manager, or other persons authorized by the Manager to act in any capacity with regard to the Railcar Assets to handle funds, money, documents and papers relating to the Railcar Assets. Any such insurance policy shall protect and insure the Manager against losses,

including forgery, theft, embezzlement, and fraudulent acts of such persons and shall be maintained in a form and amount that would meet the requirements of a prudent institutional Manager. The requirement to maintain such insurance policy shall not diminish or relieve the Manager from its duties and obligations as set forth in this Agreement. Any such insurance policy shall not be cancelled or modified in a materially adverse manner without ten days' prior written notice to the Indenture Trustee and the Class A Note Insurer. The Manager shall promptly, but in any event within five Business Days after receipt, notify the Indenture Trustee and the Class A Note Insurer upon receipt from the surety of any termination or cancellation notice or any other notice of a material change to the terms of such insurance policy.

(j) The Manager shall use its best efforts to ensure that new non-renewal Leases will conform to one of the form leases attached as Exhibit B, except for such modifications or deviations which will not have a material adverse effect on the Holders or the Class A Note Insurer, unless otherwise approved by the Controlling Party.

(k) The Successor Manager may perform any duties hereunder either directly or through agents or attorneys, and the Successor Manager shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent or attorney appointed by it with due care hereunder.

(l) The Manager shall not directly perform services in Canada nor hire non-Canadian residents to perform services in Canada. The Manager, as an agent for CARCAT, shall engage Canadian residents to perform services in Canada for CARCAT.

(m) The Backup Manager may, both before and after the time, if any, that it is acting as Successor Manager, share information regarding the Railcars, Leases and other Railcar Assets with its agents and attorneys; provided, however, that unless a Manager Event of Termination has occurred and is continuing or the Class A Note Insurer directs otherwise, the Backup Manager shall ensure that such shared information has been redacted to remove all information that, if disclosed, would create a competitive disadvantage for The Andersons (including but not limited to the names of Lessees).

(n) Notwithstanding the proviso appearing in the definition of the term "Concentration Limits", the Manager shall in its leasing efforts use reasonable efforts, in compliance with the Manager Standard, to maintain compliance by the portfolio of Railcars and associated Leases with the Concentration Limits (such as, all other factors being equal, giving precedence to a Subsequent Lease that would maintain compliance with the Concentration Limits over a Subsequent Lease that would not maintain compliance with the Concentration Limits).

Section 2.02. Authority of Manager; Delegation of Management. (a) Until the termination of this Agreement in accordance with Section 8.01, the Manager, on behalf of each Company, shall have full authority and power to manage the Railcars and the Leases in all respects, including, but not limited to, the following authority and powers, in accordance with the Manager Standard:

(i) To contract for the maintenance, storage and release of the Railcars and to authorize any repairs or maintenance service which, in the exercise of the Manager's business judgment, are necessary or appropriate.

(ii) To enter into Subsequent Leases in the name of the Relevant Company.

(iii) To settle any claim pertaining to the Railcars or the deployment or use thereof.

(iv) To do any and all other things necessary or appropriate to fulfill the duties set forth in Section 2.03 below.

(b) Notwithstanding the foregoing, the authority granted to the Manager under this Section 2.02 shall not cover any matters (i) which the Relevant Company, as owner of the Railcars in question, shall not be entitled to perform under the Indenture or any other agreement to which any such Company shall be bound, or (ii) as to which the Servicer shall have been granted authority under the Servicing Agreement.

(c) The Manager may enter into management agreements with one or more submanagers, with prior written notice to the Class A Note Insurer, each Company, the Backup Manager and the Indenture Trustee, to perform all or a portion of the management functions on behalf of the Manager; provided, however, that the Manager will remain obligated and be liable to the Class A Note Insurer, the Indenture Trustee, the Backup Manager and each Company for managing the Railcars in accordance with the provisions of this Agreement, without diminution of such obligation and liability by virtue of the appointment of such submanager, to the same extent and under the same terms and conditions as if the Manager alone were managing the Railcars. The fees and expenses of the submanager (if any) will be as agreed between the Manager and its submanager and shall be the liability of the Manager exclusively, and none of the Class A Note Insurer, the Indenture Trustee, the Backup Manager, any Company or any Holder will have any responsibility therefor; provided, however, to the extent agreed to between the Manager and submanager, expenses of the submanager may be reimbursed by the Manager and treated for all purposes hereof as expenses incurred by the Manager (which, subject to the terms of the Indenture and the limitations contained in Section 2.06(b), be reimbursable from the Operating Expense Reserve Subaccounts or, to the extent that funds in the relevant Operating Expense Reserve Subaccount are insufficient, the Collection Accounts, if and to the extent provided herein and in the Indenture). All actions of a submanager taken pursuant to such a submanager agreement will be taken as an agent of the Manager with the same force and effect as though performed by the Manager. For the avoidance of doubt, any maintenance shop which routinely services or repairs railroad rolling stock, including any of the Railcars, or does running repairs shall not, solely based upon such custom (and not a written agreement), be deemed a submanager.

Section 2.03. Duties of Manager. In consideration of the compensation to be paid to the Manager pursuant to Section 2.05, and, if applicable, Section 6.02(a), and subject to the provisions of Section 2.02 above, the Manager shall provide and perform the services on behalf

of each Company set forth below until this Agreement is terminated in accordance with Section 8.01:

(a) To contract for the maintenance, storage and release of the Railcars and to authorize any repairs or maintenance service which, in the exercise of the Manager's business judgment, are necessary or appropriate.

(b) For any Railcar not subject to a Lease, to take possession of such Railcar, as agent for the Relevant Company, for the purpose of managing and operating such Railcar as herein provided, subject to the Lien of the Indenture.

(c) To exercise the authority granted in Section 2.02 above and to use its best efforts in accordance with the Manager Standard to keep the Railcars under lease for the term of this Agreement, subject to the following conditions:

(i) the Manager shall only enter into a Subsequent Lease if each of the representations and warranties set forth in Section 4.03 with respect to such Subsequent Lease are true and correct as of the date of the origination of such Subsequent Lease and the Concentration Limits are satisfied;

(ii) the Manager (A) shall have delivered to the Backup Manager, the Indenture Trustee and the Class A Note Insurer an updated Lease and Railcar Schedule reflecting the addition of such Subsequent Lease and (B) shall maintain a complete and current copy of such Lease and Railcar Schedule in its records for inspection in accordance with the terms hereof; and

(iii) the Manager shall have delivered any items to be included in the Lease File in respect of such Subsequent Lease to the Servicer to be held on behalf of the Indenture Trustee (except that any originals of the Lease not in the possession of the Lessee under such Lease shall be delivered to the Indenture Trustee).

(d) To enter into or accept assignment of, on behalf of each Company, lease agreements providing for the lease of the Railcars to railroads, shippers or other financially responsible parties for that purpose on terms and conditions which are customary in its own practice in the industry (including, without limitation, exercising its right to cause a railroad to put the Railcars on such railroad's line bearing such railroad's reporting marks, if such arrangement appears, in the Manager's business judgment, to be either the most effective method of remarketing the Railcars or the most effective short-term use of the Railcars pending long-term remarketing), taking such steps as may be required to ensure that all obligations and duties arising under such agreements are performed or complied with in an orderly and timely fashion and causing all original copies of the Leases constituting chattel paper not in the possession of the Lessee under such Lease to be delivered to the Indenture Trustee.

(e) Cause to be taken all steps which may be necessary to have the Railcars registered and accepted by all hauling carriers under the AAR as required by the terms of any Lease or otherwise.

(f) Maintain, or to enforce the Lessees' obligations to maintain, the Railcars in good condition equal to or greater than the highest of (i) any standard required or set forth for the Railcars or railcars of a similar class by the AAR, STB, or DOT or any equivalent authority in Canada or Mexico, (ii) any standard set by a Lessee, whether by terms of a Lease or by other understanding or agreement between such Lessee and the Manager, on behalf of each Company, (iii) any standard set by any Insurance Policy under which the Railcars shall from time to time be insured, (iv) in good working order and in accordance with the Interchange Rules, (v) any standard recommended by the manufacturer, and (vi) the standards used by the Manager in respect of railcars owned, leased or managed by the Manager and its Affiliates similar in type to the Railcars.

(g) Place and maintain, or enforce the Lessees' obligations to maintain, such insurance with respect to the Railcars as shall be necessary to comply with the provisions of Section 11.14 of the Indenture. During the month of February in each year, beginning February, 2005, the Manager shall deliver to each Company, the Class A Note Insurer, the Backup Manager and the Indenture Trustee an Officer's Certificate confirming the renewal of all Insurance Policies.

(h) Within 10 days after the Closing Date with respect to the initial Collateral and as necessary from time to time thereafter with respect to any Railcars, Leases (except for Leases which have terms of less than one year, including, but not limited to, month-to-month Leases) and the other Railcar Assets located in the United States or Canada which shall become part of the Collateral, the Manager shall make, at the expense of either NARCAT or CARCAT, as applicable, such filings, deposits, registers or recordations, in the manner required by and in accordance with applicable law, necessary to perfect and protect the Lien of the Indenture, including filings with the STB pursuant to 49 U.S.C. 11301(a) (and in conformity with 49 C.F.R. 1177) and with the Canadian Registry and the filing of UCC and PPSA financing statements in all applicable filing offices. From time to time thereafter, the Manager shall take or cause to be taken such actions and execute such documents as are necessary to perfect and, at the expense of each Company, preserve and protect each Company's, the Indenture Trustee's, and the Holders' interests, as such interests may appear, in the Collateral against all other Persons, including the filing of financing statements, amendments thereto and continuation statements, the execution of transfer instruments and the making of notations on or taking possession of all records or documents of title. Notwithstanding the foregoing, neither the Manager, any Company or any other person is required to take any actions described in this paragraph with respect to any Railcars, Leases or other Railcar Assets to the extent that such action involves the making of any filings, deposits, registrations or recordations in Mexico.

(i) Maintain books and records reflecting transactions arising from the operation of the Railcars, including records relating to maintenance, repair and service

contracts and all authorized expenses relating thereto. Such books and records shall be available to each Company, the Backup Manager, the Class A Note Insurer and the Indenture Trustee upon any Company's, the Backup Manager's, the Class A Note Insurer's or the Indenture Trustee's reasonable prior request for examination during the normal business hours of the Manager.

(j) Monitor movement of the Railcars, including (i) keeping records pertaining to the movement of the Railcars, Railcar Mileage Credits and other compensation earned and received with respect to such Railcars as well as charges from railroads as a result of mileage adjustments; (ii) subject to all rules and tariffs of the railroad, crediting such Railcar Mileage Credits and other compensation as provided for in the related Lease; and (iii) such other matters as may be reasonably related thereto.

(k) Place reporting marks or such other marks, legends, or placards on the Railcars as shall be appropriate or necessary to comply with any regulation imposed by the STB, the AAR or any equivalent authority, or as shall be required under the Indenture. Immediately following the Closing Date, except with respect to the reporting marks which are the subject of the Car Mark Agreement, the Manager covenants to take all or cause its Affiliates to take all necessary action to change the UMLER designation associated with the reporting marks relating to the Railcars so as to reflect such Company's ownership of said marks immediately following the Closing Date. The Manager will cause each Railcar owned by any Company to be kept numbered with the road number serial number as shall be set forth on the Lease and Railcar Schedule. Except as otherwise contemplated in the Car Mark Agreement, the Manager shall not allow the name of any other Person, other than the related Company, to be placed on any Railcar as a designation that might be identified as a claim of any interest therein; provided, however, that nothing herein contained shall prohibit the Manager or any Company or its permitted lessees from placing its name, trademarks, initials, customary colors and other insignia on any Railcar or from naming any Railcar. The Manager shall not change the identification number of any Railcar unless and until a statement of a new number or numbers to be substituted therefor shall have been delivered to the Indenture Trustee and the Class A Note Insurer and filed, recorded and deposited by the Manager in all appropriate public offices, including the public offices where the Indenture shall have been filed, recorded and deposited.

(l) Furnish factual information reasonably requested by any Company in connection with any federal, state, or local tax returns.

(m) Prepare or cause to be prepared the necessary returns or other filings for all personal property taxes and other taxes, charges, assessments, or levies imposed upon or against the Railcars or any Company of whatever kind or nature and, where it deems appropriate (or as otherwise directed by any Company), protest the application of such taxes or the rate or amount of assessment thereunder. The Manager shall pay, or enforce the Lessees' obligations to pay, such taxes on behalf of each Company. In the Manager's discretion (or as otherwise directed by any Company), the Manager shall contest or defend against any taxes imposed upon or against the Railcars and seek revision or appeal

from any such taxes deemed improper, all such actions to be in the name of the Relevant Company or the Manager on behalf of the Relevant Company. Notwithstanding the foregoing, the consent of the Controlling Party shall be required prior to any protest, contest, defense or appeal in respect of any taxes, rate or amount hereinabove referred to in the event that the aggregate liability at issue at any one time shall exceed \$100,000.

(n) If any Railcar suffers an Event of Loss, the Manager shall, promptly after learning of such Event of Loss, (i) investigate the facts and circumstances giving rise to such Event of Loss and provide such notices and Officer's Certificates with respect thereto on behalf of the Relevant Company as may be required under the applicable Lease, (ii) collect or arrange for appropriate payment of compensation from the relevant railroad, Lessee, third party or other source, or combination thereof, and take such other steps, including field inspection and investigation, as deemed appropriate by the Manager, and (iii) take all steps and actions, including the hiring of attorneys and consultants, required with respect to such Event of Loss under the applicable Lease. Following such investigation and consideration of such other facts and circumstances as the Manager feels are necessary or appropriate, the Manager shall terminate such Lease (as to such Railcar) and arrange for deposit of the related Lessee's payments, railroad payments or insurance proceeds into the Collection Account. With respect to any Railcar suffering an Event of Loss, the Manager is hereby granted full power and authority, subject to the terms and conditions of the Leases, to sell (or dispose as scrap) on the Relevant Company's behalf any such Railcar which has been settled for under the rules of the AAR or settled with Lessees or any Insurer and, upon direction of such Company, the Manager will effect such sale or disposition in accordance with the Manager Standard, for no additional fee or other compensation. The Manager shall transfer to the relevant Lockbox Bank, for deposit into the related Lockbox Account, any amounts the Manager receives in respect of such Event of Loss from such sources. Each Company hereby agrees to execute all necessary powers of attorney and other documents evidencing such power and authority in favor of the Manager. Anything herein to the contrary notwithstanding, in the event of damage to a Railcar to which Rule 107 of the Interchange Rules applies, the Manager shall not, without the prior written consent of the Controlling Party, (i) accept any settlement offer if the offered Settlement Value (set forth in the related "Settlement Value Statement" (as such term is used in Rule 107)) is less than the Advance Rate times the Stated Value of such Railcar nor (ii) reject any such settlement offer if the offered Settlement Value equals or exceeds the Advance Rate times the Stated Value of such Railcar.

(o) Upon the expiration of any Lease (or upon the acquisition by any Company of any Railcar not then subject to a Lease), the Manager shall, (i) until the related Railcars have been leased or re-leased in accordance with this Agreement and the Indenture, transport and store, or arrange for the transportation and storage of, such Railcars on tracks designated by the Manager (whether such tracks are owned by the Manager or otherwise), (ii) negotiate appropriate renewals thereof or remarket the related Railcars on terms and conditions which are in compliance with the terms and provisions of the Indenture, as to which each of the representations and warranties contained in Section 4.03 shall be correct and which otherwise are customary at such time and with

adequate regard as to credit quality in accordance with the Manager Standard; (iii) inspect, clean (to the extent not done by the applicable Lessee) and refurbish any Railcar which is to be remarketed in a manner consistent with the Manager Standard; and (iv) take such steps as may be required to see that all obligations and duties arising under the Indenture with respect to the remarketed Railcars are performed or complied with to the extent required thereunder.

(p) Terminate any Lease (if permitted by, and in accordance with the terms of, such Lease) with respect to any Railcar which the Manager believes is obsolete or surplus to the Relevant Company's requirements under the terms of such Lease and provide such notices with respect thereto as may be required under such Lease to effect such a termination; if such election is made, take the necessary action on behalf of such Company to arrange for the sale of such Railcar and the termination of the Lease of such Railcar.

(q) Cause compliance with the Lessor's obligations, if any, under the return provisions of any Lease with respect to any Railcar which is being returned to the Relevant Company thereunder.

(r) Enforce, on behalf of the Relevant Company, the warranties with respect to all repairs, maintenance and modifications made with respect to the Railcars at facilities not owned by the Manager or an Affiliate of the Manager.

(s) In the event that any Railcar shall become economically obsolete or damaged beyond repair, sell such Railcar in compliance with the requirements of the Indenture.

(t) In the event that the Relevant Company (with the consent of the Controlling Party) shall so direct, sell such Railcar to such purchaser as the Relevant Company shall designate to the Manager.

(u) Enforce the Lessee's obligations to ensure compliance of the Railcars and Leases with applicable governing regulations and rules, including regulations and rules promulgated by AAR, DOT, STB and the FRA, including, but not limited to, maintaining the STB registration of the Leases and, in the event that any Lessee is a United States Governmental Authority, cause the Relevant Company to comply with the Assignment of Claims Act.

(v) Perform on behalf of each Relevant Company all maintenance obligations thereof (as Lessor) set forth in any Leases.

(w) Notify the Controlling Party and each Company of any breaches of warranties, misrepresentations or defaults of the Railcar Entities under the Asset Purchase Agreement or any related APA Seller Document.

(x) Enforce all covenants and obligations of the Railcar Entities contained in the Asset Purchase Agreement and the other APA Seller Documents on behalf of the Companies and deposit any amounts recovered into the Collection Account, and take such actions as may be reasonably requested from time to time by any Company or the Controlling Party on behalf of such Company) in connection with such enforcement, and deliver to such Company (with a copy to the Indenture Trustee and the Class A Note Insurer) all consents, approvals, directions, notices, waivers and take other actions under the Asset Purchase Agreement and the other APA Seller Documents.

(y) Without limiting the foregoing, to perform all obligations of each Company under the Indenture with respect to the Railcars, the Leases and the other Railcar Assets.

(z) Perform for each Company such other services incidental to the foregoing as may from time to time be reasonably necessary in connection with the leasing, operation and day-to-day management of the Railcars.

(aa) On the 15th day of each February, May, August and November (or if such day is not a Business Day, then the next Business Day), commencing May 17, 2004, the Manager shall deliver to the Backup Manager, the Indenture Trustee and the Class A Note Insurer (i) an Officer's Certificate identifying any changes in car marks related to a Railcar made during the three-month period ending on the last day of the immediately preceding calendar month and (ii) in the event that any such changes shall have been so made, an Opinion of Counsel (which shall be an outside counsel) in form and substance reasonably satisfactory to the Indenture Trustee and the Class A Note Insurer to the effect that all such changes have been so filed, recorded and deposited with the STB pursuant to 49 U.S.C. 11301(a) (and in conformity with 49 C.F.R. 1177) and with the Canadian Registry as to protect the Indenture Trustee's security interest (on behalf of the Secured Parties) in the Railcars located in the United States or Canada, and that no other filing, recordation, deposit or giving of notice to any Governmental Authority is necessary to protect such interests; provided, however, that in the event that, during any three-month period ending on the last day of any January or July, there shall have been made changes to car marks relating to fewer than 5% of Eligible Railcars as of such date, no such Opinion of Counsel shall be required to be so delivered on such date and any changes made to car marks during such three-month period shall be covered by the Opinion of Counsel required to be delivered hereunder on the next succeeding May 15 or November 15, as the case may be.

Section 2.04. Required Modifications and Optional Modifications. (a) Required Modifications. In the event the AAR, DOT or any other Governmental Authority having jurisdiction over the Railcars or any other applicable Law requires as a condition of continued use or operation of any such Railcar that such Railcar be altered or modified (a "Required Modification"), the Manager agrees to make or have made such Required Modification in accordance with the applicable Lease, on behalf of the Relevant Company, in a timely manner; provided, however, that the Manager may, on behalf of any Company, in good faith and by appropriate proceedings diligently conducted, contest the validity or application of any such Law,

regulation, requirement or rule in any reasonable manner which does not materially interfere with the use, possession, operation or return of any Railcar or materially adversely affect the rights or interests of the Relevant Company or the Indenture Trustee in the Railcar or subject the Relevant Company, the Class A Note Insurer or the Indenture Trustee or any Holder to criminal or material financial sanctions or relieve the Lessee of the obligation to return the Railcar in compliance with the provisions of such Lease or other related Transaction Documents (or the obligations of the Manager hereunder in respect of such return). Promptly after the Manager becomes aware of the requirement to make a Required Modification, the Manager shall notify the Relevant Company, the Backup Manager, the Class A Note Insurer and the Indenture Trustee thereof, which notice shall also set forth the time period for the making of such Required Modification and the Manager's reasonable estimate of the cost thereof. If the Manager, on a non-discriminatory basis, believes that any Required Modification to a Railcar would be economically impractical, it shall so advise the Relevant Company and, if directed by such Company, in lieu of making the Required Modifications as provided above, the Manager shall provide written notice to such Company that such Required Modification is economically impractical, and shall treat such Railcar as if an Event of Loss had occurred as of the date of such written notice with respect to such Railcar. In such event, the provisions of the related Lease and this Agreement with respect to an Event of Loss shall apply with respect to such Railcar. In reaching any decision as to whether a Required Modification is economically impractical, the Manager shall assess the cost and timing of the Required Modification, the anticipated revenues and other sources of funds which would be available to fund such costs, the requirements of the applicable Lease and such other factors as the Manager considers necessary or appropriate and shall provide a report to the Relevant Company, with copies to the Backup Manager, Class A Note Insurer and the Indenture Trustee regarding such assessment.

(b) Optional Modifications. The Manager is authorized at any time to modify, alter or improve any Railcar in a manner which is not a Required Modification, including any Railcar not then under a Lease (an "Optional Modification"), if the Manager concludes in good faith that the proposed Optional Modification is likely to enhance the marketability of the Railcar by more than the cost of such modification (or such Optional Modification is requested by a Lessee) and that such Optional Modification meets the standards set forth in the applicable Lease, if any.

Section 2.05. Manager Fee and Supplemental Manager Fee. As compensation to the Manager for the performance of services hereunder, the Manager will receive the Manager Fee and the Supplemental Manager Fee, which shall be paid to the Manager on each Payment Date in accordance with, and subject to the priority of payment provisions of, Section 12.02(d) or Section 6.08, as applicable, of the Indenture. In the event that a Successor Manager is appointed as Manager hereunder, the Successor Manager will be entitled to receive the Manager Fee and the Supplemental Manager Fee.

Section 2.06. Manager Expenses. (a) In addition to the Manager Fee and the Supplemental Manager Fee, the Manager shall be entitled to reimbursement of the following out-of-pocket expenses (collectively, "Operating Expenses") incurred by the Manager, in the manner and to the extent provided for in Section 2.06(b), in connection with the satisfaction of its responsibilities under this Agreement (it being expressly understood and agreed that the Manager

shall not be entitled to separate reimbursement for any salaries or benefits of employees of the Manager, overtime wages or any other "overhead" costs or expenses of the Manager):

- (i) repositioning charges;
- (ii) repair and maintenance charges;
- (iii) fees and expenses incurred in connection with the occurrence of any Event of Loss or with enforcing Lease rights or repossessing any Railcars;
- (iv) insurance premiums and charges with respect to the Insurance Policies;
- (v) fees and expenses incurred in connection with calculation and payment of ad valorem taxes, and in connection with any protest, contest, defense or appeal referenced in, and permitted under, Section 2.03(m);
- (vi) taxes for which the Lessor is responsible under any Lease;
- (vii) fees and expenses incurred in connection with inspections of Railcars;
- (viii) fees and expenses of outside counsel in connection with the management of the Railcars;
- (ix) fees of third-party advisors, consultants and brokers relating to the re-letting of any Railcar;
- (x) storage and car mark charges;
- (xi) charges incurred in connection with tracing and registering Railcars;
- (xii) reimbursements for prefunded or advance payments;
- (xiii) painting and re-stenciling the car mark and number for Railcars;
- (xiv) making any Required Modifications or Optional Modifications to any Railcar;
- (xv) making any regulatory filings with respect to the Leases or the Railcars;
- (xvi) ensuring the maintenance of the security interest of the Relevant Company and of the Indenture Trustee in the Leases and the Railcars;
- (xvii) payment for uninsured losses and for bodily injury or property damage caused by any Railcars which are not covered by Insurance Policies or which exceed the amount of deductible(s) under any Insurance Policy; and

(xviii) all other out-of-pocket expenses properly chargeable to the management, operation, leasing or disposition of the Railcars in the manner provided herein.

(b) The Manager is entitled to be reimbursed upon request out of the Operating Expense Reserve Account and, if necessary, out of the Collection Accounts, in accordance with the terms of the Indenture for any Operating Expenses incurred by the Manager in connection with its obligations hereunder as set forth in Section 2.06(a) above; provided, however, that any expenses to be reimbursed for services provided by an Affiliate of the Manager shall be limited to amounts that are the arm's-length, fair-market-value costs for the services provided by such Affiliate. On any Business Day, but not more frequently than once per week, the Manager may deliver to the Indenture Trustee (with a copy to the Class A Note Insurer) a report (the "Maintenance Expense Reimbursement Request"), which shall set forth the Operating Expenses then due and owing to the Manager, and the Indenture Trustee shall withdraw funds from the appropriate Operating Expense Reserve Subaccount on the following Business Day and pay such amounts to the Manager in accordance with, and subject to the limitations contained in, Section 12.02(d) or Section 6.08, as applicable, of the Indenture; provided, however, that such withdrawal shall be made out of the NARCAT OER Subaccount and the NARCAT Collection Account only to the extent that the Operating Expenses in question shall have been incurred in connection with Railcars owned by NARCAT or NARCAT Mexico, and such withdrawal shall be made out of the CARCAT OER Subaccount and the CARCAT Collection Account only to the extent that the Operating Expenses in question shall have been incurred in connection with Railcars owned by CARCAT. If Operating Expenses incurred by the Manager in any given calendar month, as set forth in the Maintenance Expense Reimbursement Requests delivered to the Indenture Trustee during such month, exceed the funds available for such payment in the Operating Expense Reserve Subaccounts, the Manager shall be entitled to collect such shortfall in accordance with the priorities set forth in Section 12.02(d) or Section 6.08, as applicable, of the Indenture on the next Payment Date; provided, however, that the Backup Manager, in its role as Manager, shall have no obligation to incur any out-of-pocket expenses over and above (i) the sum of \$50,000 during any Collection Period plus (ii) the amounts on deposit in the Operating Expense Reserve Subaccounts at any given time and available for the payment of such expenses, unless adequate indemnity for such amounts satisfactory to the Backup Manager has been provided to it.

Section 2.07. Responsibility for Loss of, Distribution of, or Damage to Railcars. The responsibilities of each Company and the Manager for loss of, destruction of, or damage to any Railcar are apportioned as follows:

(a) The Manager shall not be liable for damage to or destruction of any Railcar under any circumstances unless such damage or destruction is the direct result of the Manager's negligence or willful misconduct.

(b) The Manager shall obtain insurance to the extent required by Section 2.01(i) and Section 2.03(g).

(c) If any Railcar is damaged, but is not destroyed or damaged beyond repair, the Manager shall use its best efforts, in accordance with the Manager Standard, to obtain reimbursement of repair expenses for the Relevant Company in accordance with AAR

rules. If any Railcar is damaged beyond repair or destroyed, the Manager shall use its best efforts, in accordance with the Manager Standard, to obtain the value of such Railcar in accordance with appropriate AAR rules and, if applicable, in accordance with provisions in the Leases relating to Events of Loss.

Section 2.08. Denial or Refusal of Insurance. (a) If an Insurer under an Insurance Policy shall deny coverage (in any such case prior to termination thereof as a result of the payment by such Insurer of an aggregate amount equal to its maximum liability under such Insurance Policy), or shall refuse to honor a claim under any such Insurance Policy with respect to any Railcar, and if such denial or refusal resulted solely from the Manager's failure to comply with the requirements of such Insurance Policy or the requirements of such Insurer, or if the Manager shall have failed to maintain the coverage required by the terms of the Transaction Documents (including, but not limited to, Section 11.14 of the Indenture), then the Manager, on behalf of the Relevant Company, shall cause the amount of any resulting unpaid claim to be deposited into the related Collection Accounts as a recovery on such Railcar with respect to which such denial or refusal arose; provided, however, that if the Backup Manager is acting as Manager, it will not be required to deposit such funds in the Collection Accounts. The Manager shall not be entitled to seek reimbursement under Section 2.06 for amounts deposited into any Collection Account pursuant to this Section 2.08(a).

(b) The Manager shall promptly, but in any event within five days, notify the Relevant Company, the Class A Note Insurer, the Backup Manager and the Indenture Trustee of the occurrence of any event described in Section 2.08(a) or the cancellation or termination of any Insurance Policy.

Section 2.09. Conflicts of Interest. It is expressly understood and agreed that nothing herein shall be construed to prevent or prohibit the Manager from providing the same or similar services to any Person or organization not a party to this Agreement. In particular, the Manager shall be entitled to own and operate for its own account railroad cars and equipment identical to the Railcars managed hereunder and/or to manage such railroad cars or equipment under a similar management agreement with another owner; provided, however, that if other railroad cars similar to or competitive with the Railcars owned or managed by the Manager are available for leasing at the same time that any Railcar is so available, the Manager or its agent or submanager shall give no preference or priority to either the leasing of such other railroad cars or the Railcars, subject to the needs of prospective deployers and all applicable regulations of the AAR, STB and DOT.

Section 2.10. Separate Corporate Existence Covenants. The Manager recognizes that the Indenture Trustee, the Holders and the Class A Note Insurer have entered into the Transaction Documents on the understanding that each of the Companies, the Seller and TOP CAT (each a "Separate Person") is an entity intended to have its own separate existence independent from that of the Manager. In connection therewith, the Manager will (i) maintain separate bank accounts and books of account from each Separate Person, (ii) not hold itself out to third parties as liable or responsible for the debts of each Separate Person (except for performance of such obligations which are assumed by it as Manager hereunder) and not holding any Separate Person out to third parties as being liable or responsible for the debts of the Manager, (iii) not conduct

business in the name of any Separate Person except when acting in the name of such Separate Person in its capacity as Manager and it identifies itself as such, (iv) not hold itself out as the owner of the Railcar Assets and take reasonable steps to ensure that Lessees and other parties dealing with the Railcar Assets are aware of the Separate Person's interests therein and (v) take such other actions on its part as may be required for each Separate Person to be in compliance with Section 10.01(p) of the Indenture on the Closing Date. In the event that the Manager's consolidated financial statements are required under GAAP to include any Separate Person, the Manager will include footnotes therein that disclose the separate corporate existence of each such Separate Person and its assets from the Manager and the Manager's Assets.

ARTICLE III

ACCOUNTINGS, STATEMENTS AND REPORTS

Section 3.01. Monthly Manager Report. With respect to each Payment Date and the related Collection Period, the Manager will provide to the Backup Manager, the Class A Note Insurer and the Indenture Trustee, on the Determination Date immediately prior to such Payment Date, a Monthly Manager Report (a "Monthly Manager Report") substantially in the form of Exhibit A hereto with each of the items specified on such form completed as the case may be, including the amount of Operating Expenses incurred by the Manager in respect of the Railcars owned by each Company in such immediately preceding calendar month (as set forth in the Maintenance Expense Reimbursement Requests delivered to the Indenture Trustee during such month) which exceed the funds available in the relevant Operating Expense Reserve Subaccount and which are to be paid pursuant to the priorities set forth in Section 12.02(d) or Section 6.08, as applicable, of the Indenture, together with such supplemental information reasonably requested by the Controlling Party.

Section 3.02. Financial Statements; Certification as to Compliance; Notice of Default. The Manager will deliver to the Indenture Trustee, the Backup Manager, each Rating Agency and the Class A Note Insurer, except as provided in subsection (h):

(a) within 90 days after the end of each fiscal year of the Reported Companies, a copy of the Reported Companies' Financial Statements for such fiscal year certified in a manner acceptable to the Controlling Party by the senior financial officer of the Manager or such other person as may be acceptable to the Controlling Party, it being understood that delivery to the Indenture Trustee, the Backup Manager, each Rating Agency and the Class A Note Insurer of the Manager's report on Form 10-K filed with the Securities and Exchange Commission shall satisfy the requirements of this Section 3.02(a);

(b) with each set of Reported Companies' Financial Statements delivered pursuant to subsection (a) above and (d) below, a certificate of an officer of the Manager demonstrating compliance with all financial covenants or tests calculated by reference to such financial statements and containing an additional certification to the effect that a review of the activities of the Manager during the period covered by the Reported

Companies' Financial Statements, and of its performance under this Agreement has been made under the supervision of the officer executing such Officer's Certificate with a view to determining whether during such period the Manager had performed and observed all of its obligations under this Agreement, and either (i) stating that based on such review no default by the Manager under this Agreement has occurred and is continuing, or (ii) if such a default has occurred and is continuing, specifying such default, the nature and status thereof and what steps, if any, the Manager is planning to do or has done to cure such default;

(c) promptly upon becoming aware of the existence of any condition or event which constitutes a Manager Event of Termination, a written notice describing its nature and period of existence and what action the Manager is taking or proposes to take with respect thereto;

(d) quarterly, unaudited versions of the Reported Companies' consolidated balance sheet, year-to-date income statement, retained earnings and cash flows within 45 days after the end of each quarter (other than the quarter at the end of each fiscal year), it being understood that delivery to the Indenture Trustee, the Backup Manager, each Rating Agency and the Class A Note Insurer of the Manager's report on Form 10-Q filed with the Securities and Exchange Commission shall satisfy the requirements of this Section 3.02(d);

(e) copies of any reports filed by the Manager with the SEC or the Rating Agencies concerning the Manager;

(f) in the case of the Initial Manager, copies of any certificates required to be furnished by the Initial Manager under any credit agreement to which the Initial Manager is a party and which addresses compliance by the Initial Manager with the requirements of such credit agreement and the absence or existence of defaults thereunder;

(g) such other information regarding the Railcars, the Leases, the Manager or the transactions contemplated hereby, as the Class A Note Insurer may reasonably request; and

(h) with respect to the financial reports described in subsections (a) and (d), and the notice described in subsection (c), above, the Manager will also deliver such reports to the Holders (except that the Manager shall not be obligated to deliver the notice described in subsection (c) above to each Holder if the Controlling Party has waived such Manager Event of Termination in accordance with Section 6.04).

Section 3.03. Annual Accountants' Reports. (a) On or before 120 days after the end of each fiscal year of the Manager, the Manager shall deliver to each Company, the Indenture Trustee, the Backup Manager, the Class A Note Insurer, each Rating Agency and the Holders a report of a firm of independent public accountants of recognized national standing selected by the Manager to the effect that such firm has examined certain documents and records relating to the management of the Railcars, the Leases and the other Railcar Assets under this Agreement and

that, on the basis of such examination conducted substantially in compliance with generally accepted audit standards, nothing came to their attention which caused them to believe that the Manager has accounted for matters regarding the Railcars, the Leases and the other Railcar Assets, including deposits in, and requested withdrawals from, the Operating Expense Reserve Subaccounts or the Collection Accounts, otherwise than in accordance with this Agreement, except for such immaterial exceptions or errors on records that, in the opinion of such firm, it is not required to report.

(b) In the event such independent public accountants require the Indenture Trustee to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to this Section 3.03, the Manager shall direct the Indenture Trustee in writing to so agree; it being understood and agreed that the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Manager, and the Indenture Trustee has not made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

Section 3.04. Delivery of Accountings, Statements and Reports. To the extent that the Manager and the Servicer are the same Person, it may, in its sole discretion and to the extent practicable, fulfill its obligations under this Article III and Article III of the Servicing Agreement with the delivery of one monthly report, one set of financial statements, a single Officer's Certificate (executed in its capacities as both Manager and Servicer) or a single accountants' report, as the case may be.

Section 3.05. Annual Security Interest Opinion. Within 120 days after the beginning of each calendar year, beginning with the calendar year 2005, the Manager shall furnish to the Indenture Trustee and the Class A Note Insurer an Opinion of Counsel (which shall be outside counsel) either stating that, in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording or re-filing of (a) all UCC financing statements and continuation statements, filings with the STB, filings with the Canadian Registry and any other requisite filings, deposits, registers or recordations as are necessary to maintain the ownership interests, security interests and liens, as applicable, created in favor of (x) each of the NARCAT Seller and the CARCAT Seller under the Asset Purchase Agreement, (y) each of NARCAT and CARCAT under its respective Sale Agreement and (z) the Indenture Trustee under the Indenture and reciting the details of such action or stating that, in the opinion of such counsel, no such action is necessary to maintain such security interests and liens. Such Opinion of Counsel shall also describe the recording, filing, re-recording and re-filing of the Indenture, and any other requisite documents and the execution and filing of any financing statements and continuation statements that, in the opinion of such counsel, are or will within the next twelve months be required to maintain the liens and security interests described above.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Initial Manager Representations and Warranties. The Initial Manager hereby represents and warrants to each Company, the Indenture Trustee and the Backup Manager as follows:

(a) Corporate Existence and Power. The Manager has been duly organized and is validly existing and in good standing as a corporation under the laws of the state of Ohio, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and the Manager is duly qualified to do business and is in good standing in each state where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect. The Manager has all requisite power and authority and has taken all action necessary to enter into this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by the Manager of this Agreement are within the Manager's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, the Manager's organizational documents or any contractual or other obligation binding on or affecting the Manager or any of its assets. The Manager has delivered to each Company, the Indenture Trustee and the Class A Note Insurer a true and correct copy of its articles of incorporation, its code of regulations and other organizational documents.

(b) No Conflict. The performance of the Manager's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of the Manager pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of the Manager or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Due Authorization, Execution and Delivery. Each Transaction Document to which the Manager is a party has been duly authorized, executed and delivered by the Manager and each such Transaction Document is a valid and legally binding agreement of the Manager, enforceable against the Manager in accordance with its terms, subject as to

enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

(d) Solvency. Both before and after giving effect to the transactions contemplated by this Agreement, the Manager is Solvent.

(e) True and Complete Copies. The Manager has delivered to each Company a true, complete and correct copy of the APA Seller Documents.

(f) Accuracy of Information. All information heretofore furnished (including, but not limited to, the Reported Companies' Financial Statements) by the Manager to each Company, the Indenture Trustee, the Class A Note Insurer and the Backup Manager for purposes of or in connection with this Agreement, the other Transaction Documents, or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by it hereunder will be, true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading. Without limiting the foregoing, the Manager has no knowledge of any facts which would cause it to disbelieve any of the representations or warranties made by the Railcar Entities under the APA Seller Documents.

(g) Tax Status. It has (i) timely filed all federal, state and local tax returns or permitted extensions thereof in the United States and all other tax returns or permitted extensions thereof in foreign jurisdictions required to be filed and (ii) paid or made adequate provision in accordance with GAAP for the payment of all taxes, assessments and other governmental charges.

(h) Employee Benefits. With respect to employees that primarily work in connection with the Railcars, Leases and other Railcar Assets:

(i) Except as set forth on Schedule I, with respect to current or former employees of the Manager, the Manager does not maintain, participate in or contribute to any (A) deferred compensation or retirement plans or arrangements, (B) tax-qualified or nonqualified defined contribution or defined benefit plans or arrangements which are employee pension benefit plans (as defined in Section 3(2) of ERISA), (C) employee welfare benefit plans (as defined in Section 3(1) of ERISA), (D) phantom stock appreciation right, stock option, stock purchase or other stock based plans, or (E) any fringe benefit plans or programs. The Manager does not maintain or contribute to any employee welfare benefit plan that provides health, accident or life insurance benefits to former employees, their spouses or dependents, other than in accordance with Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA or other applicable Law.

(ii) The employee pension benefit plans and employee welfare benefit plans (and related trusts and insurance contracts) of the Manager, which plans are described on Schedule I, have been administered in compliance with the requirements of applicable Laws, except where failure thereof would not result in a Material Adverse Effect on the Collateral. Each employee pension benefit plan which is intended to be a "qualified plan" has received an opinion letter from the Internal Revenue Service as to the qualification under the Code of such plan.

(iii) With respect to each of the plans listed on Schedule I, the Manager has made available to each Company and the Class A Note Insurer true and complete copies of (A) the plan documents, summary plan descriptions and summaries of material modifications and other material employee communications about such plan, (B) the opinion letter received from the Internal Revenue Service, (C) the Form 5500 Annual Report (including all schedules and other attachments) for the most recent plan year, (D) all related trust agreements, insurance contracts or other funding agreements which implement such plans and (E) all contracts relating to each such plan, including, without limitation, service provider agreements, insurance contracts, investment management agreements and record keeping agreements.

(iv) All contributions and other payments required to have been made by the Manager with respect to any plan described on Schedule I have been or will be made when due.

To the Knowledge of the Manager, no plan described on Schedule I is subject to any ongoing audit, investigation or other administrative proceeding of any Governmental Authority nor has any Action been commenced against any such plan (other than for benefits in the ordinary course), in which the adverse result thereof would result in a Material Adverse Effect on the Railcars, Leases or other Railcar Assets, or on any Company after the Closing Date.

(i) Employment Matters. The Manager is not party to, bound by, or negotiating in respect of any collective bargaining agreement or any other agreement with any labor union, association or other employee group in connection with its railcar leasing business, nor, to the Knowledge of the Manager, is any employee that primarily works in connection with its railcar leasing business represented by any labor union or similar association. No labor union or employee organization has been certified or recognized as the collective bargaining representative of any employee of the Manager that primarily works in connection with its railcar leasing business. To the Knowledge of the Manager, there are no formal union organizing campaigns or representation proceedings in process or formally threatened with respect to any employee of the Manager that primarily work in connection with its railcar leasing business, nor are there any existing or, to the Knowledge of the Manager, threatened at large labor strikes, work stoppages, organized slowdowns, unfair labor practice charges, or labor arbitration proceedings affecting employees of the Manager that primarily work in connection with its railcar leasing business.

(j) Environmental Matters. Except to the extent such matters would not have a Material Adverse Effect:

(i) to the Knowledge of the Manager, the Manager is in compliance with all applicable Environmental Laws related to the Collateral. Except for matters that have been fully resolved, the Manager has not received any written communication from any person or Governmental Authority that alleges that its operations in connection with the Railcars, Leases or other Railcar Assets are not in compliance with applicable Environmental Laws;

(ii) to the Knowledge of the Manager, the Manager has obtained all environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the conduct of its railcar leasing business, and all such permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and to the Knowledge of the Manager, the Manager is in compliance with all terms and conditions of the Environmental Permits; and

(iii) there is no Environmental Claim pending or, to the Knowledge of the Manager, threatened against or concerning the Railcars, Leases or other Railcar Assets.

To the Knowledge of the Manager, no release of any Hazardous Commodities has occurred on or from any of the Railcars, Leases or other Railcar Assets, which requires investigation, assessment, monitoring, remediation or cleanup under Environmental Laws.

(k) No Default. To the Knowledge of the Manager, there has been no default under the Asset Purchase Agreement or any other Transaction Document.

(l) Credit and Collection Policies. The Manager has previously delivered to the Class A Note Insurer a true and correct copy of its credit and collection policies, and no material amendments shall be made to such policies without the consent of the Class A Note Insurer.

Section 4.02. Company Representations and Warranties. Each Company hereby represents and warrants to the Manager, the Indenture Trustee and the Backup Manager as follows:

(a) Such Company has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and such Company is duly qualified to do business and is in good standing in each jurisdiction where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect. Such Company has all requisite power and authority and has taken all action necessary to enter into this

Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by such Company of this Agreement and the other Transaction Documents are within such Company's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, such Company's organizational documents or any contractual or other obligation binding on or affecting the Company or any of its assets.

(b) The performance of such Company's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of such Company pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement (including the Leases) or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of such Company or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Each Transaction Document to which such Company is a party has been duly authorized, executed and delivered by such Company and each such Transaction Document is a valid and legally binding agreement of such Company, enforceable against such Company in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

(d) Such Company has delivered to the Manager a true, complete and correct copy of the Indenture.

Section 4.03. Initial Manager Representations and Warranties with Respect to the Collateral. In consideration of the Manager Fee and the Supplemental Manager Fee, and as a result of its conducting due diligence with respect to the Railcars, the Leases and the other Railcar Assets, the Initial Manager hereby represents and warrants, as of the Closing Date or Prefunded Railcar Acquisition Date, as applicable, with respect to any Railcar, Lease or other Railcar Asset transferred under the Sale Agreements, and as of the origination date with respect to any Subsequent Lease originated in accordance with Section 2.03(c), to each Company, the Indenture Trustee and the Backup Manager as follows:

(a) Each Company has good and marketable title to all of the Leases and Railcars transferred thereto under the Relevant Sale Agreement and any Subsequent Lease originated in accordance with Section 2.03(c), free and clear of all Liens, other than Permitted Liens; provided, however, that, for a period not to exceed 30 days after the Closing Date, up to 39 Railcars representing an aggregate Stated Value not to exceed \$125,000 may be subject to Leases for which the Companies have not obtained requisite consents of the Lessee to the assignment thereof.

(b) Each Lease sold or, in the case of each Prefunded Existing Lease, to be sold under a Sale Agreement is for the Railcar or Railcars identified therein, as set forth on the Lease and Railcar Schedule or the Prefunded Lease and Railcar Schedule, as applicable, to such Sale Agreement. The Lease and Railcar Schedule or the Prefunded Lease and Railcar Schedule, as applicable, to each Sale Agreement contains a true, correct and complete list of all Leases sold on the Closing Date or to be sold on the Prefunded Railcar Acquisition Date, if applicable, under such Sale Agreement, and an updated Lease and Railcar Schedule delivered thereafter in accordance with Section 2.03(c) will contain a true, correct and complete list of all Subsequent Leases originated in accordance with Section 2.03(c), including, in each case, the name of the lessee, deal number (if applicable), type of lease (full service, modified, triple net, etc.), lease rate, number of lease payments remaining (if applicable), final payment due date under lease, number of Railcars under lease and commencement date of lease.

(c) The Lease and Railcar Schedule sets forth a true, correct and complete list of all Railcars transferred and the Prefunded Lease and Railcar Schedule sets forth a true, correct and complete list of all Prefunded Railcars to be transferred under the Sale Agreements, including, as to each Railcar, the month and year built (and, if applicable, rebuilt), car type (by AAR equipment code), car mark and number assigned to such Railcar in UMLER, if applicable, volume capacity as expressed in cubic feet if a railcar, or in horsepower if a locomotive (in each case, if known and if applicable), total (gross) weight on rail, the AAR determination of extended life (if applicable), whether such Railcar is subject to a Lease (and, if so, the lease or deal number, as applicable), whether such Railcar is primarily leased to a Lessee for which an address in Canada or in Mexico is referenced on the Lease and, if applicable, storage location (including description, city and state).

(d) The Manager has not received any notice of the occurrence of any Event of Loss, or any event which, with the passage of time would constitute an Event of Loss, with respect to any Railcar.

(e) Each Lease (i) is evidenced by a writing, (ii) constitutes the legal, valid and binding obligation of the Lessee thereunder, (iii) has not been satisfied other than in the ordinary course, subordinated, rescinded, or, except for Permitted Adjustments, adjusted, (iv) remains in full force and effect and (v) is enforceable against such Lessee in accordance with its terms (except to the extent that enforcement may be affected by applicable bankruptcy, reorganization, insolvency and other Laws affecting creditors'

rights and remedies generally and by general principles of equity, regardless of whether enforcement is sought at law or in equity).

(f) Except as set forth on the Lease and Railcar Schedule, (i) no Lessee under any Lease is currently in bankruptcy under the bankruptcy laws of the United States, Canada or Mexico, (ii) unless consented to by the Relevant Company, no provision of any Lease has been waived, amended, or modified in any material respect, except by instruments or documents copies of which have been delivered to the Relevant Company, the Indenture Trustee and the Class A Note Insurer and reflected on the Lease and Railcar Schedule and, in any event, no Lease has been waived, amended or modified since its origination to cure a payment default or delinquency, (iii) no delinquency or default by the Lessee under any Lease has occurred and is continuing and (iv) the Lessee is in compliance with the terms of such Lease in all material respects.

(g) No Action is pending or, to the Knowledge of the Manager, has been threatened asserting the invalidity of any Lease, or seeking any determination or ruling that might adversely and materially affect the validity or enforceability of any Lease or the value of any Railcar.

(h) Each Lease is "chattel paper" (as defined in Section 9-102(a)(11) of the UCC). Except for the Leases set forth on Schedule III, all original, executed copies of Leases are in the possession of the Indenture Trustee.

(i) No Lease has been originated in or is subject to the laws of any jurisdiction whose laws would make the assignment and transfer thereof pursuant to the terms hereof (or any subsequent assignment by the Relevant Company) unlawful.

(j) Each Railcar is marked with the railroad equipment number (also known as the running number) as noted on the Lease and Railcar Schedule.

(k) To the Knowledge of the Manager, the Lessees have complied with all applicable Laws in respect of each Lease in all material respects and each Lease complies with all applicable Laws of the jurisdiction in which it was originated in all material respects.

(l) The Lessee under each Lease is (i) a United States or Canadian governmental agency, (ii) a United States common carrier by railroad engaged in the transportation of individuals or property or owner of trackage facilities leased by such common carrier, (iii) a United States or Canadian corporation (provincial or federal), limited partnership, limited liability company or other entity, (iv) a Mexican entity listed on the Lease and Railcar Schedule, or (v) a "railroad company" as defined in the Canadian Transportation Act.

(m) Any guarantees on behalf of an applicable Lessee required at the time of origination of a Lease remain in full force and effect.

(n) The lease origination practices used by the Manager and, to the Knowledge of the Manager, by any Railcar Entity, with respect to each Lease have been legal in all material respects.

(o) Each Lessee under a Lease has accepted the related Railcar or Railcars and after reasonable opportunity to inspect and test, has not notified the Manager of any defects therein.

(p) For those Railcars described on the Lease and Railcar Schedule as having an extended life determined by AAR as a result of having been refurbished, modified or substantially rebuilt, there is in the Lease Files, and there has been filed, the proper documentation with AAR to qualify such Railcars for extended life along with updating UMLER records.

(q) No correspondence has been received by the Manager (nor, to the Knowledge of the Manager, by any Railcar Entity) from the AAR or FRA regarding any outstanding general or specific recalls for the Railcars or any required modifications, nor, to the Knowledge of the Manager, do there exist any such outstanding general or specific recalls for any Railcar or any required modifications.

(r) Except for Scrapped Railcars, each Railcar is in good working order and is suitable for the use for which it is presently engaged. None of the Leases or Railcars are subject to any restrictions with respect to the transferability thereof.

(s) Except for (i) one Lease for not more than 100 Railcars having a Stated Value of not more than \$1,502,750.00 expiring on March 31, 2004 which is denominated in Canadian dollars, and (ii) two Leases, involving not more than five Railcars, for which Rent payments are calculated by multiplying mileage by an amount which is specified in United States dollars, each Lease is denominated in and provides for payment solely in United States dollars.

(t) All Railcars are located in the United States, Canada or Mexico.

(u) No more than 450 of Eligible Railcars are leased to Lessees for which a Mexican address is referenced on the Lease.

(v) No Lease expressly allows the transport or storage of any Hazardous Commodities on the related Railcars.

(w) None of the Railcars are tank cars.

(x) Rental payments under each Lease are billed and payable monthly.

(y) Except for locomotives and certain other Railcars which the Manager intends to designate as Scrapped Railcars no later than January 31, 2005, the total number

of which locomotives and Railcars will not exceed 630, each Railcar is in compliance with all applicable Laws (including applicable Interchange Rules of the AAR).

(z) Except for one Lease involving not more than 24 Railcars which are leased to the Initial Manager, no Lessee is an Affiliate of any Seller, the Servicer or the Manager.

(aa) No Lease is a finance lease.

(bb) Except as set forth on the Lease and Railcar Schedule, there are no split schedules for any Lease.

(cc) No Lease expressly releases the lessee from liability for all of its obligations under such Lease (including with respect to the related Railcars) in connection with any sublease and, to the knowledge of the Manager, no Lessee has subleased any of the Railcars unless such Lessee remains so liable and all other terms set forth in Section 2.01(j) of the Servicing Agreement have been satisfied.

(dd) To the extent such matters are governed by the laws of the United States or any state thereof, or Canada or any province thereof, the Indenture Trustee has a first priority, perfected security interest in the Railcars, the Leases and other Railcar Assets.

(ee) Except for those Leases set forth on Schedule III, the Lease File for each Lease is complete in all respects and has been delivered to the Servicer on behalf of the Relevant Company (except for any original, executed copies of Leases which are in the possession of the Indenture Trustee).

(ff) Each Lease other than a Modified Lease or Full Service Lease contains provisions requiring the Lessee to pay all sales, use, excise, rental, property or similar taxes imposed on or with respect to the related Railcar and to assume all risk of loss, damage, or destruction of the related Railcar, and each such Lease requires the Lessee to maintain the Railcars which are subject thereto in good and workable order.

(gg) Except for one Lease permitting not more than two Railcars to be returned and storage fees to be paid in lieu of Rent therefor, no Lease provides for the replacement, addition or exchange of any Railcar subject to such Lease which would result in any reduction, or change the timing of, payments due, or modification of, the Lessee's obligations under such Lease.

(hh) No Lease is a "consumer lease", as defined in Article 2A of the UCC.

(ii) Except for certain Leases with Northeast Regional Commuter Railroad Corporation (d/b/a Metra) involving not more than 39 Railcars which have an aggregate Stated Value not exceeding \$124,500, the obligation of the Lessee under each Lease to make lease payments and other amounts is absolute and unconditional and not dependent

on the future appropriation of funds, and no Lessee is entitled to invoke sovereign immunity with respect to the related Lease and its obligations thereunder.

(jj) The Relevant Company has the right under each Lease owned thereby to exercise appropriate remedies with respect to the Railcars without obtaining the consent of any third parties.

(kk) No selection criteria were used in connection with the acquisition by the Companies of the Railcars, Leases or other Railcar Assets that identified the Railcars, Leases or other Railcar Assets as being less desirable or valuable than other comparable railcars, leases or other assets owned by any Seller, any Company, the Servicer or the Manager.

(ll) Each Lease either (i) provides for the return of the related Railcars upon default, or (ii) does not prohibit the Lessor from demanding return of the related Railcars and repossessing said Railcars after default under, or termination of, such Lease.

(mm) For each Lease other than a Modified Lease or Full Service Lease where the Lessee is not a railroad, each Lease requires that in the event of a casualty loss that the Lessee must take one of the following actions: (a) restore or repair the affected Railcar to good repair, condition and working order, (b) replace the Railcar with a like Railcar of the same or later model in good repair, condition and working order, or (c) pay the Lessor thereunder the "stated value" (as defined in such Lease) of such Railcar. For each Lease where the Lessee is a railroad, (i) if damage to a Railcar occurs while on the Lessee's railroad line, the relevant Lease requires the Lessee to pay the Lessor the "stated value" (as defined in such Lease), and (ii) if damage to a Railcar occurs while on the lines of another railroad, Interchange Rules apply.

(nn) No Lessee under a Lease has made a cash deposit to secure its obligation to make future lease payments.

(oo) The Railcars conform, to the Knowledge of the Manager, to (i) any applicable standards or requirements of any Governmental Authority and (ii) any applicable standards required by each national and international standards organization which regulates railcars in any relevant jurisdiction.

(pp) On the Closing Date or Prefunded Railcar Acquisition Date, as applicable, after giving effect to transfer of the Leases transferred under the Sale Agreements, the Companies were in compliance with the Concentration Limits, and each Subsequent Lease originated in accordance with Section 2.03(c) will be originated in compliance with the Concentration Limits.

(qq) On the Closing Date or Prefunded Railcar Acquisition Date, as applicable, no set-offs exist under any Lease.

Section 4.04. Purchase or Substitution Required upon Breach of Certain Representations and Warranties. (a) The representations, warranties and agreements of the Initial Manager set forth in Section 4.03 with respect to each Railcar, Lease and other Railcar Assets shall survive so long as such Railcar, Lease and other Railcar Assets remains subject to the Lien of the Indenture. Upon discovery by the Initial Manager or any Company that any of such representations or warranties was incorrect as of the time made, the party making such discovery shall give prompt notice to the others, to the Class A Note Insurer and to the Indenture Trustee. In the event that the failure of any such representation or warranty (other than the representation and warranty set forth in Section 4.03(pp)) to be correct at the time as of which it was made materially and adversely affects the interests of the Holders of the Notes in any Railcar or Lease which is the subject of such representation or warranty, the Initial Manager shall eliminate or cure such circumstance or condition within 45 days of having actual knowledge of, or receiving notice of, such breach, or the Initial Manager shall take such steps as are necessary to (a) if a Lease is the subject of such representation or warranty, Purchase all of the Railcars covered by such Lease (and the related Lease and other Railcar Assets relating solely to such Railcars) at the Purchase Price in accordance with this Section 4.04, (b) if a Railcar is the subject of such representation or warranty, purchase such Railcar at the Purchase Price in accordance with this Section 4.04 or (c) if a Railcar is the subject of such representation or warranty, provide a Substitute Railcar meeting all of the requirements of Section 4.03, complying with the Concentration Limits and having a Stated Value which, when aggregated with the Stated Values of all other substitute Railcars then being substituted, shall be no less than the aggregate Stated Value of all Railcars then being replaced, so that the representations and warranties with respect to such Railcar or Lease, as applicable, are correct. In the event of any breach of the representation or warranty set forth in Section 4.03(pp), the obligation of the Manager to Purchase or provide Substitute Railcars shall apply to the extent required to cure such breach. For the avoidance of doubt, this Section 4.04 shall not apply to any Successor Manager.

(b) Any Purchase of a Railcar (and any related Lease and other Railcar Assets) or other payment required of the Initial Manager pursuant to this Section 4.04 shall be made by the Initial Manager by deposit of the Purchase Price required by Section 4.04(c) into the Collection Accounts, and any substitution of a Railcar made in lieu of any such purchase shall be made, in either case, on or prior to the Determination Date next following the calendar month in which the Initial Manager's obligation to Purchase such Railcar (and any related Lease and other Railcar Assets) arose. For purposes of this Section 4.04, the Manager agrees that any Railcar which is not eligible after the expiration of the 30-day period referenced in Section 4.03(a) shall be deemed a breach of the representation set forth therein and the repurchase shall occur on the first Payment Date following the expiration of such 30-day period.

(c) Any Railcar (and any related Lease and other Railcar Assets) to be Purchased by the Initial Manager under this Section 4.04, shall be Purchased by the Initial Manager at a purchase price (the "Purchase Price") equal to (i) with respect to Purchases on the first Payment Date, the Stated Value of such Railcars on the Accounting Date immediately preceding the first Payment Date and (ii) with respect to any other Purchase, the Stated Value of such Railcar on the Accounting Date preceding the date on which the obligation to Purchase first arose, plus accrued interest (calculated at the Prime Rate) thereon from the Accounting Date preceding the date on

which the obligation to Purchase first arose to the next succeeding Accounting Date. All Purchases shall be accomplished at the times required in Section 4.04(b).

(d) Upon the substitution of any Substitute Railcar, the Initial Manager hereby agrees that such Substitute Railcar will be subject to all of the terms and conditions of this Agreement and the other Transaction Documents just as if such Substitute Railcar has been one of the original Railcars acquired on the related Closing Date.

(e) If the Initial Manager fails to Purchase or substitute any Railcar (and any related Lease and other Railcar Assets) by the time required in Section 4.04(c), the Indenture Trustee, provided it has received notice in accordance with Section 4.04(a), shall be obligated promptly to notify the Servicer, each Company and the Class A Note Insurer of such failure. The Servicer shall thereafter pursue any remedies available against the Railcar Entities under the Asset Purchase Agreement for any breach thereunder and deposit any amounts received from the Railcar Entities into the Collection Accounts in accordance with Section 4.03 of the Servicing Agreement.

(f) The Companies agree to cause any amounts received from any Railcar Entity and deposited into the Collection Accounts as a result of a breach of a representation or warranty under the Asset Purchase Agreement to be paid to the Initial Manager to the extent that such breach by the Railcar Entity resulted in a breach by the Initial Manager under this Agreement and the Initial Manager shall have (i) expended any funds to fully eliminate or cure all circumstances and conditions causing such breach, (ii) deposited to the relevant Collection Account the Purchase Price for such Railcar (and any related Lease or other Railcar Asset) or (iii) provided a substitute Railcar. In the event that the Indenture Trustee should receive any amounts described in the previous sentence, the Indenture Trustee shall upon request by the Manager calculating in reasonable detail the portion of such amounts to which it is entitled, remit such portions to the Initial Manager. The Companies hereby authorize the Manager to enforce all provisions of the Asset Purchase Agreement against the Railcar Entities on behalf of the Companies, including without limitation the indemnity provisions contained therein and the Manager agrees to enforce said provisions on behalf of the Companies. All funds collected in connection with this Section 4.04(f) by the Manager shall be, to the extent not used to reimburse the Initial Manager for any related Purchase of a Railcar (and related Lease and other Railcar Assets), deposited into the Collection Accounts and distributed in accordance with the Indenture.

ARTICLE V

INITIAL MANAGER COVENANTS

Section 5.01. Corporate Existence; Status as Manager; Merger. (a) The Initial Manager shall keep in full effect its existence and good standing as a corporation in its state of incorporation and will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to enable the Initial Manager to perform its duties under this Agreement, except where the failure to so qualify would not have a Material Adverse Effect on the Initial Manager or its ability to perform its

duties hereunder; provided, however, that the Initial Manager may reincorporate in another state, if to do so would be in the best interest of the Initial Manager and would not have a Material Adverse Effect upon any Company, the Class A Note Insurer, the Backup Manager, the Indenture Trustee or the Holders, and the Initial Manager has complied with the requirements set forth in Section 5.01(b).

(b) The Initial Manager shall not consolidate with or merge into any other Person or convey, transfer or lease substantially all of its assets as an entirety to any Person, unless (i) the entity formed by such consolidation or into which the Initial Manager has merged or the Person which acquires by conveyance, transfer or lease substantially all the assets of the Initial Manager as an entirety, executes and delivers to each Company, the Class A Note Insurer, the Backup Manager and the Indenture Trustee an agreement, in form and substance reasonably satisfactory to each Company, the Backup Manager and the Indenture Trustee (acting at the direction of the Controlling Party), which contains an assumption by such successor entity of the due and punctual performance and observance of each covenant and condition to be performed or observed by the Initial Manager under this Agreement, (ii) such Person at the time of the execution of such agreement has at least the same Tangible Net Worth as the Initial Manager at the time of such consolidation, merger or transfer, but in any event a Tangible Net Worth of at least \$75,000,000 (iii) after giving effect to such merger or consolidation, no Manager Event of Termination shall have occurred and be continuing, (iv) such Person shall meet the criteria required of and applicable to a Successor Manager set forth in Section 6.01(b) and (v) the Manager shall have received the prior written consent of the Controlling Party.

Section 5.02. The Manager Not to Resign; No Assignment. (a) The Manager shall not resign from the duties and obligations hereby imposed on it except (i) upon a determination by its Board of Directors that by reason of a change in applicable legal requirements the continued performance by the Manager of its duties under this Agreement would cause it to be in violation of such legal requirements, said determination to be evidenced by a resolution of its Board of Directors to such effect accompanied by an Opinion of Counsel reasonably satisfactory to the Indenture Trustee, the Backup Manager and the Controlling Party to such effect, (ii) upon appointment of a Successor Manager by the Companies, with the approval of the Indenture Trustee (acting at the direction of the Controlling Party), and (iii) the entering into of amendments to this Agreement to effect such succession in form reasonably acceptable to each Company, the Backup Manager and the Indenture Trustee (acting at the direction of the Controlling Party).

(b) The Manager may not assign this Agreement or delegate any of its rights, powers, duties or obligations hereunder; provided, however, that the Manager may submanage its duties and obligations hereunder in accordance with Section 2.02(c) and assign this Agreement in connection with a consolidation, merger, conveyance, transfer or lease made in compliance with Section 5.01(b).

(c) Except as provided in Sections 5.02(a) and 6.01, the duties and obligations of the Manager under this Agreement shall continue until this Agreement shall have been terminated as provided in Section 8.01, and shall survive the exercise by any Company, the Class A Note Insurer, the Backup Manager or the Indenture Trustee of any right or remedy under this

Agreement, or the enforcement by any Company, the Class A Note Insurer, the Backup Manager, the Indenture Trustee or any Holder of any provision of the Indenture, the Notes or this Agreement.

Section 5.03. Car Mark Agreement, GNRR Agreement and Railcar Storage Agreement. The Manager shall abide by the terms of the Car Mark Agreement, GNRR Agreement and the Railcar Storage Agreement and shall provide the benefits thereof to each Company.

Section 5.04. Manager Indemnification. The Manager shall indemnify and hold harmless each Company, the Class A Note Insurer, the Backup Manager, the Indenture Trustee and the Holders and their respective Affiliates and the directors, officers, employees and agents of each thereof (the "Indemnified Parties"), from and against:

(a) any breach of or any inaccuracy in any representation or warranty (other than any representation or warranty contained in Section 4.03 which has been fully remedied in accordance with Section 4.04) made by the Manager in this Agreement or in any certificate delivered pursuant thereto;

(b) any breach of or failure by the Manager to perform any covenant or obligation of the Manager set out or contemplated in this Agreement;

(c) the negligence, recklessness or willful misconduct of the Manager;

(d) any dispute or claim of any third party related to or in connection with the existence of more than one originally executed counterpart of a Lease which constitutes "chattel paper" under Article 9 of the UCC;

(e) any dispute, counterclaim, defense, loss, liability, expense, damage or injury suffered or sustained by reason of any acts, omissions or alleged acts or omissions arising out of any act or failure to act on the part of the Manager with respect to its obligations under this Agreement, including but not limited to any judgment, award, settlement, reasonable attorneys' fees and other reasonable costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim;

(f) any failure by the Manager to comply with any applicable Law with respect to any Railcar Asset;

(g) the commingling by the Manager of Collections at any time with any other funds;

(h) any inability to obtain any judgment in or utilize the court or other adjudication system of, any jurisdiction in which a Lessee may be located as a result of the failure of the Manager to qualify to do business or file any notice of business activity report or any similar report; or

(i) any liability arising out of or incurred in connection with the failure of 3079936 Nova Scotia Company to comply with any and all "bulk sales" laws.

provided, however, that the Manager shall not indemnify the Indemnified Parties if such acts, omissions or alleged acts or omissions constitute fraud, negligence, or willful misconduct by such Indemnified Party; and provided, further, that the Manager shall not indemnify the Indemnified Parties for any liability, cost or expense of the Collateral with respect to any federal, state or local income or franchise taxes (or any interest or penalties with respect thereto) required to be paid by the Holders in connection herewith to any taxing authority; and provided, further, that in the event that a Successor Manager (including the Backup Manager) shall succeed to the duties of the Manager, the provisions of this Section 5.04 shall not apply to such Successor Manager unless expressly agreed to thereby. The provisions of this Section 5.04 shall survive any expiration or termination of this Agreement. Any indemnification owed to the Indemnified Parties under this Section 5.04 shall be due and payable within 30 days of the applicable Indemnified Party's demand therefor.

Section 5.05. Expense Reimbursement. The Manager shall not request reimbursement for any expenses incurred on its behalf by an Affiliate of the Manager unless such expenses are no more than the arm's-length, fair-market-value costs of the services provided by such Affiliate.

Section 5.06. Agreements with respect to the Car Mark Agreement and the Railcar Storage Agreement. The Manager hereby agrees (i) to comply with the representations, warranties, covenants and agreements of the "Buyer" under the Car Mark Agreement and the Railcar Storage Agreement and (ii) not to consent or agree to any amendment, restatement, supplement or other modification to the Car Mark Agreement or the Railcar Storage Agreement without the prior written consent of the Controlling Party. Unless otherwise agreed to in writing by the Controlling Party, the Manager also hereby agrees to cause each Railcar subject to the Car Mark Agreement to be re-marked (in accordance with the provisions of the Car Mark Agreement and the Transaction Documents) prior to the expiration of the "Initial Term" of the Car Mark Agreement.

ARTICLE VI

MANAGER TERMINATION

Section 6.01. Manager Events of Termination. (a) If any of the following acts or occurrences (each, a "Manager Event of Termination") shall occur and be continuing:

(i) any failure by the Manager to submit a Monthly Manager Report pursuant to Section 3.01 that continues unremedied for a period of two Business Days after the earliest of the date upon which (A) the Indenture Trustee, the Class A Note Insurer or any Holder provides written notification to the Manager of such failure, or (B) the date on which an Authorized Officer obtains actual knowledge of such failure; or

(ii) any representation or warranty made by the Manager in this Agreement (other than any representation or warranty contained in Section 4.03 which has been fully remedied in accordance with Section 4.04), any other Transaction Document to which it is a party or in any certificate delivered by the Manager hereunder proves to have been untrue or incorrect in any material respect when made and such untruth or incorrectness shall continue to be material and unremedied; provided, however, solely if such untruth or incorrectness is capable of being remedied, no such untruth or incorrectness shall constitute cause for termination hereunder for a period of 30 days after the earlier of (A) the date on which an Authorized Officer obtains actual knowledge of such failure or (B) the Manager's receipt of notice from any Company or the Indenture Trustee so long as the Manager is diligently proceeding to remedy such untruth or incorrectness and shall in fact remedy such untruth or incorrectness within such period; provided, however, such untrue or incorrect representation or warranty shall be deemed to be remediable or remedied only after all adverse consequences thereof, if any, can be and have been remedied as applicable; or

(iii) any failure on the part of the Manager duly to observe or to perform in any material respect any covenant or agreement of the Manager set forth in this Agreement or any other Transaction Document to which it is a party (including if the Manager is also acting as the Servicer, of its duties as the Servicer), which failure, if such failure is curable, continues unremedied for a period of 30 days after the earlier to occur of (A) the date on which written notice of such failure or breach, requiring the situation giving rise to such failure or breach to be remedied, shall have been given to the Manager by the Indenture Trustee, the Backup Manager, the Class A Note Insurer, each Company or any Holder or (B) the date on which an Authorized Officer of the Manager obtains actual knowledge of such failure; or

(iv) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Manager in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging the Manager bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Manager under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Manager or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any of the foregoing unstayed and in effect for a period of 45 consecutive days; or

(v) the commencement by the Manager of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Manager in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state

law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Manager or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Manager in furtherance of any such action; or

(vi) any assignment by the Manager to a delegate of its duties or rights hereunder, except as specifically permitted hereunder, or any attempt to make such an assignment; or

(vii) a final nonappealable judgment of a court of competent jurisdiction for more than \$1,000,000 shall be entered against the Manager and shall not be stayed, vacated, bonded, paid or discharged within 45 days; or

(viii) the Manager shall fail to pay, when and as the same shall become due and payable (after giving effect to any applicable grace period), any principal or interest, regardless of amount, due in respect of any indebtedness of the Manager in a principal amount in excess of \$5,000,000 or any event shall occur with respect to any such indebtedness, the effect of which is to cause, or allow the holder thereof to cause, such indebtedness to become due before its stated maturity; or

(ix) the Manager shall cease to be engaged in the railcar management or maintenance business (unless the Backup Manager is acting as Manager); or

(x) the existence of a Rapid Amortization Event of the nature described in clause (b) of the definition of "Rapid Amortization Event" contained in the Indenture; or

(xi) the failure of the Manager (unless the Backup Manager is acting as Manager) to maintain a ratio of long term debt minus the non-recourse portion of long term debt to Tangible Net Worth of not more than 1.25 to 1; or

(xii) so long as the Initial Manager is the Manager, the occurrence of a Change of Control; or

(xiii) so long as the Manager or any Affiliate thereof is acting as Servicer, the occurrence of a Servicer Event of Termination pursuant to Section 6.01 of the Servicing Agreement;

then, and in each and every case, so long as a Manager Event of Termination shall not have been remedied within any applicable period set forth above, the Indenture Trustee shall, at the direction of the Controlling Party, or may, with the consent of the Controlling Party, by notice (the "Manager Termination Notice") then given in writing to the Manager, terminate all, but not less than all, of the rights (other than any rights to receive, subject to the priority of payments set forth in Section 12.02 or Section 6.08 of the Indenture, as applicable, all amounts owed to the Manager, including but not limited to the Manager Fee and any Operating Expenses in

accordance with Section 2.06, accrued up to the effective date specified by the Manager Termination Notice) and obligations of the Manager under this Agreement, which termination shall be effective as of the date of such Manager Termination Notice or such later date as such Manager Termination Notice may specify.

(b) The Manager may not be terminated in whole or in part, unless (i) a successor Manager (the "Successor Manager") has been appointed by the Indenture Trustee (acting at the direction of the Controlling Party) and (ii) such Successor Manager has accepted such appointment. Any Successor Manager shall be a located in the United States and be acceptable to the Controlling Party. Any Successor Manager, however appointed, shall execute and deliver to the Class A Note Insurer, the Backup Manager (if not the Successor Manager), the Indenture Trustee, each Company and to the predecessor Manager an instrument accepting such appointment, including customary confidentiality provisions in favor of the predecessor Manager and each Company, and thereupon such Successor Manager, without further act, shall become vested with all the rights, powers, duties and trusts of the predecessor Manager hereunder with like effect as if originally named the Manager herein.

(c) On and after the time the Manager receives a Manager Termination Notice pursuant to this Section 6.01, all authority and power of the Manager under this Agreement shall pass to the Successor Manager appointed pursuant to Section 6.02, and, without limitation, such Successor Manager is hereby authorized and empowered to execute and deliver, as Manager and on behalf of each Company, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Manager Termination Notice.

(d) The terminated Manager shall cooperate with the Indenture Trustee and the Successor Manager in effecting the termination of the responsibilities and rights of the terminated Manager hereunder and the transition of the management to the Successor Manager, including, without limitation, (i) by transferring, at its own expense, its electronic records relating to the Railcars to the Successor Manager in such electronic form as the Successor Manager may reasonably request, (ii) by transferring the current Lease and Railcar Schedule and all other records, correspondence and documents relating to the Leases, Railcars and other Railcar Assets that it may possess to the Successor Manager in the manner and at such times as the Successor Manager shall reasonably request and (iii) by responding to all reasonable requests of the Successor Manager.

Section 6.02. Backup Manager to Act; Appointment of Successor. (a) Subject to Section 6.01, on and after the time the Manager receives a Manager Termination Notice pursuant to Section 6.01 hereof, the Backup Manager shall, unless prevented by law (in which case such other Successor Manager as shall be appointed by the Indenture Trustee acting at the direction of the Controlling Party), without further action be the Successor Manager, and, to the extent provided in Section 6.01, shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Manager by the terms and provisions hereof; provided, however, that any Successor Manager shall not (i) be liable for any acts or omissions of the outgoing Manager or for any breach by the outgoing Manager of any of its representations and warranties contained herein or in any related document or agreement, (ii) be responsible to perform any duties under

Section 2.03(u) in respect of the United States Assignment of Claims Act, Section 2.03(w) or Section 2.03(x). Subject to the consent of the Controlling Party, the Successor Manager may subcontract with another firm to act as submanager so long as the Successor Manager remains fully responsible and accountable for performance of all obligations of the Manager.

(b) The Manager, the Backup Manager, the Indenture Trustee and such Successor Manager shall take such action, consistent with this Agreement, as shall be necessary to effectuate any such succession. The Successor Manager and the Indenture Trustee shall be reimbursed for their respective expenses, if any, incurred in connection with the assumption of responsibilities of the Successor Manager as provided for in Section 12.02(d) or Section 6.08 of the Indenture.

(c) If the Manager is also acting as Servicer under the Servicing Agreement, upon any resignation of the Servicer, the Manager will also be required to resign as Manager. The Manager and Servicer shall at all times be the same Person.

Section 6.03. Notification to Holders. Upon any termination of, or appointment of a successor to, the Manager pursuant to this Article VI, the Indenture Trustee shall give prompt written notice thereof to the Holders at their respective addresses appearing in the Note Register.

Section 6.04. Waiver of Breaches and Defaults. The Indenture Trustee shall, at the direction of the Controlling Party, (a) waive any breach by the Manager of any of its representations and warranties set forth in Section 4.03, and (b) waive any events permitting removal of the Manager under Section 6.01. Upon any waiver of a past breach or default, such breach or default shall cease to exist, and any purchase or substitution obligation arising from such breach shall no longer exist and any Manager Event of Termination arising from such default shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other breach or default or impair any right consequent thereto except to the extent expressly so waived.

Section 6.05. Effects of Termination of Manager. (a) After the delivery of a Manager Termination Notice and appointment of a Successor Manager, the former Manager shall have no further obligations with respect to the management of the Railcars or the performance of maintenance, insurance, remarketing or any other services with regard to the Railcars, and the Successor Manager shall have all of such obligations except as otherwise set forth herein. The former Manager's indemnification obligations pursuant to Section 5.04 will survive the termination of the Manager hereunder but will not extend to any acts or omissions of a Successor Manager.

(b) A Manager Event of Termination shall not affect the rights and duties of the parties hereunder (including, but not limited to, the obligations and indemnities of the Manager pursuant to Section 5.04) other than those relating to the management, insuring and remarketing of the Railcars.

(c) The predecessor Manager shall defend, indemnify and hold the Successor Manager and any officers, directors, employees or agents of the Successor Manager harmless against any

and all claims, losses, penalties, fines, forfeitures, legal fees and related costs, judgments and any other costs, fees, and expenses that the Successor Manager may sustain in connection with the claims asserted at any time by third parties against the Successor Manager which result from (i) any willful or negligent act taken or omission by the predecessor Manager or (ii) a breach by the predecessor Manager of an express obligation of the Manager hereunder. The indemnification provided by this Section 6.05(c) shall survive the termination of this Agreement.

(d) The Successor Manager will not be responsible for delays attributable to the predecessor Manager's failure to deliver information, defects in the information supplied by the terminated Manager or other circumstances beyond the control of the Successor Manager.

The Successor Manager shall have no responsibility and shall not be in default hereunder nor incur any liability for any failure, error, malfunction or any delay in carrying out any of its duties under this Agreement if any such failure or delay results from the Successor Manager acting reasonably and in accordance with information prepared or supplied by a Person other than the Successor Manager or the failure of any such Person to prepare or provide such information. The Successor Manager shall have no responsibility, shall not be in default and shall incur no liability (i) for any act or failure to act by any third party, including the terminated Manager, or for any inaccuracy or omission in a notice or communication received by the Successor Manager from any third party or (ii) which is due to or results from the invalidity or unenforceability of any Lease under applicable law or the breach or the inaccuracy of any representation or warranty made by the terminated Manager. The Successor Manager shall not be liable for any acts or omissions of the Manager occurring prior to such Manager transfer or for any breach by the Manager of any of its representations and warranties contained herein or in any related document or agreement.

Notwithstanding anything contained in this Agreement to the contrary, the Successor Manager is authorized to accept and rely on all of the accounting, records (including computer records) and work of the terminated Manager relating to the Leases, the Railcars and the other Railcar Assets (collectively, the "Predecessor Manager Work Product") without any audit or other examination thereof, and the Successor Manager shall have no duty, responsibility, obligation or liability for the acts and omissions of the prior Manager. If any error, inaccuracy, omission or incorrect or non-standard practice or procedure (collectively, "Errors") exist in any Predecessor Manager Work Product and such Errors make it materially more difficult to service or should cause or materially contribute to the Successor Manager making or continuing any Errors (collectively, "Continued Errors"), the Successor Manager shall have no duty, responsibility, obligation or liability for such Continued Errors; provided, however, that the Successor Manager agrees to use its best efforts, consistent with the Manager Standard, to prevent further Continued Errors. In the event that the Successor Manager becomes aware of Errors or Continued Errors, the Successor Manager shall, with the prior consent of the Controlling Party, use its best efforts, consistent with the Manager Standard, to reconstruct and reconcile such data as is commercially reasonable to correct such Errors and Continued Errors and to prevent future Continued Errors. The Successor Manager shall be entitled to recover its costs thereby expended in accordance with Section 12.02(d) or Section 6.08, as applicable, of the Indenture.

Section 6.06. Rights Cumulative. All rights and remedies from time to time enforced upon or reserved to each Company, the Class A Note Insurer, the Backup Manager, the Indenture Trustee or the Holders or to any or all of the foregoing are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy of each Company, the Indenture Trustee or the Holders may be exercised from time to time and as often as deemed expedient.

ARTICLE VII

THE BACKUP MANAGER

Section 7.01. Representations of Backup Manager. The Backup Manager makes the following representations and warranties:

(a) Corporate Existence and Power. The Backup Manager has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and the Backup Manager is duly qualified to do business and is in good standing in each state where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect on the Backup Manager or its ability to perform its obligations under this Agreement. The Backup Manager has all requisite power and authority and has taken all action necessary to enter into this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by the Backup Manager of this Agreement are within the Backup Manager's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, the Backup Manager's organizational documents or any contractual or other obligation binding on or affecting the Backup Manager or any of its assts.

(b) No Conflict. The performance of the Backup Manager's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of the Backup Manager pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of the Backup Manager or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any

court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Due Authorization, Execution and Delivery. Each Transaction Document to which the Backup Manager is a party has been duly authorized, executed and delivered by the Backup Manager and each such Transaction Document is a valid and legally binding agreement of the Backup Manager, enforceable against the Backup Manager in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

Section 7.02. Merger or Consolidation of, or Assumption of the Obligations of, Backup Manager. Any Person (a) into which the Backup Manager may be merged or consolidated, (b) which may result from any merger or consolidation to which the Backup Manager shall be a party, or (c) which may succeed to the properties and assets of the Backup Manager substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Backup Manager hereunder, shall be the successor to the Backup Manager under this Agreement without any further act on the part of any of the parties to this Agreement.

Section 7.03. Backup Manager Resignation. The Backup Manager shall not resign from its obligations and duties under this Agreement except upon determination that the performance of its duties shall no longer be permissible under applicable law (any such determination permitting the resignation of the Backup Manager shall be evidenced by an Opinion of Counsel to such effect delivered to the Indenture Trustee and the Class A Note Insurer). Upon the Backup Manager's resignation pursuant to this Section 7.03, the Backup Manager shall comply with the provisions of this Agreement until the acceptance of a successor Backup Manager.

The Backup Manager shall consult fully with the Manager as may be necessary from time to time to perform or carry out the Backup Manager's obligations hereunder, including the obligation to succeed at any time to the duties and obligations of the Manager under Section 6.02.

Section 7.04. Duties and Responsibilities. (a) The Backup Manager shall perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Backup Manager.

(b) The Backup Manager may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Backup Manager and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions, which by any provision hereof are specifically required to be furnished to the Backup Manager, the Backup Manager shall be under a duty to examine the same and to determine whether or not they conform to the requirements of this Agreement.

Section 7.05. Backup Manager Compensation. As compensation to the Backup Manager for the performance of services hereunder, the Backup Manager shall be entitled to receive the Backup Manager Fee, which shall be paid to the Backup Manager on each Payment Date in accordance with, and subject to the priority of payment provisions of, Section 12.02(d) or Section 6.08, as applicable, of the Indenture.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Termination of Agreement. (a) Except where otherwise expressly noted herein, the respective duties and obligations of the Manager, each Company, the Backup Manager and the Indenture Trustee created by this Agreement shall terminate upon the discharge of the Indenture in accordance with its terms.

(b) This Agreement shall not be automatically terminated as a result of an Event of Default under the Indenture or any action taken by the Indenture Trustee thereafter with respect thereto, and any liquidation or preservation of any property held as contemplated in the Indenture by the Indenture Trustee thereafter shall be subject to the rights of the Manager to manage the Railcars as provided hereunder. In the event of any sale of Collateral to a third party following an Event of Default, however, this Agreement shall not be deemed assigned to such third party.

Section 8.02. Amendments. (a) This Agreement may be amended by the parties hereto, without the consent of any Holders but with the consent of the Class A Note Insurer (so long as no Class A Note Insurer Default shall have occurred and is continuing), to (i) cure any ambiguity, to correct or supplement any provisions in this Agreement which are inconsistent with the provisions herein, or to add any other provisions with respect to matters or questions arising under this Agreement that shall not be inconsistent with the provisions of this Agreement or (ii) amend any of the representations or warranties with respect to the Collateral set forth in Section 4.03; provided, however, that Section 4.03 may be amended prospectively at any time by the Controlling Party without the consent of any other party; provided further, however, that if the Class A Note Insurer is not the Controlling Party, the Rating Agency Condition shall have been met.

(b) This Agreement may also be amended from time to time by the parties hereto with the prior written consent of the Controlling Party for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Holders.

(c) Prior to the execution of any amendment or consent under this Section 8.02, the Manager shall furnish written notification of the substance of such amendment or consent, together with a copy thereof, to each Rating Agency.

(d) Promptly after the execution of any such amendment, the Manager shall furnish a written copy of the text of such amendment (and any consent required with respect thereto) to the other parties hereto, the Class A Note Insurer and to each Holder.

(e) Approval of the particular form of any proposed amendment or consent shall not be necessary for the consent of any Holders, if required, under Section 8.02(b), but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by the Holders shall be subject to such reasonable requirements as the Indenture Trustee may prescribe.

(f) The Indenture Trustee may request an Opinion of Counsel, an Officer's Certificate and such other opinions, certificates and documents as it deems advisable in connection with any proposed amendment of this Agreement. The Indenture Trustee may, but shall not be obligated to, execute and deliver any such amendment which affects that Indenture Trustee's rights, powers, immunities or indemnifications hereunder.

Section 8.03. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, INCLUDING SECTIONS 5-1401 AND 1402 OF THE GENERAL OBLIGATIONS LAWS, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 8.04. Notices. All demands, notices and communications hereunder shall be in writing and shall be delivered or mailed by registered or certified United States mail, postage prepaid, or by telephonic facsimile transmission and overnight delivery service, postage prepaid, and addressed, in each case as follows: (a) if to NARCAT, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (b) if to CARCAT, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (c) if to NARCAT Mexico, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (d) if to the Manager, at The Andersons Inc., 480 W. Dussel Drive, Maumee, Ohio 43537, Attention: Betsy Hall, Esq. (facsimile: (419) 491-6695); (e) if to the Indenture Trustee or the Backup Manager, at Wells Fargo Bank, National Association, MAC N9311-161, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services -- Asset-Backed Administration (facsimile: (612) 667-3539); (f) if to any Holder, at its address for notices specified in the Register for the Notes maintained pursuant to the Indenture and (g) if to the Class A Note Insurer, at the address specified in the Indenture. Any of the Persons in subclauses (a) through (e) and (g) above may change the address for notices hereunder by giving notice of such change to other Persons. Any change of address shown in the Note Register shall, after the date of such change, be effective to change the address for such Holder hereunder. The Indenture Trustee shall provide all parties hereto with notice of any change of address shown in the Note Register. All notices and demands shall be deemed to have been given either at the time of the delivery thereof to any officer of the Person entitled to receive such notices and demands at the address of such Person for notices hereunder.

Section 8.05. Severability of Provisions. If one or more of the provisions of this Agreement shall be for any reason whatever held invalid, such provisions shall be deemed

severable from the remaining provisions of this Agreement and shall in no way affect the validity or enforceability of such remaining provisions, the rights of any parties hereto, or the rights of the Class A Note Insurer, the Backup Manager, the Indenture Trustee or any Holders. To the extent permitted by law, the parties hereto hereby waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

Section 8.06. Inspection and Examination Rights. (a) The Manager agrees that, on reasonable prior notice, it will permit any representative of the Class A Note Insurer, the Backup Manager, the Indenture Trustee, the Controlling Party or any Company, during the Manager's normal business hours, to examine all the books of account, records, reports and other papers of the Manager relating to the Railcar Assets, to make copies and extracts therefrom, to cause such books to be examined by independent certified public accountants selected by the Class A Note Insurer, the Backup Manager, the Indenture Trustee, the Controlling Party or any Company, as the case may be, and to discuss its affairs, finances and accounts relating to the Railcar Assets with its officers, employees and independent public accountants (and by this provision the Manager hereby authorizes said accountants to discuss with such representatives such affairs, finances and accounts), all at such reasonable times and as often as may be reasonably requested. Any expense incident to the exercise by the Class A Note Insurer, the Backup Manager, the Indenture Trustee or any Company of any right under this Section 8.06 shall be borne by the Initial Manager, except that only the first examination in any year by the Class A Note Insurer, the Backup Manager, the Indenture Trustee or the Controlling Party will be at the Initial Manager's expense (unless there has occurred and is continuing a Manager Event of Termination, a Servicer Event of Termination (if the Manager is also the Servicer) or a Rapid Amortization Event (or any event which, with the giving of notice or passage of time, would constitute any such event), in each of which cases each such examination shall be at the expense of the Manager)), or, if a Successor Manager other than an Affiliate of the Initial Manager is then acting as Manager, such expense shall be borne by the party exercising such right of inspection; provided, however, that in no event shall the Class A Note Insurer, the Backup Manager, the Indenture Trustee, the Controlling Party or any Company be entitled to any expenses hereunder for which it has been previously reimbursed pursuant to Section 8.06 of the Servicing Agreement.

(b) Upon reasonable prior notice, the Manager shall give, or cause to be given, to the Railcar Entities, Affiliates of the Railcar Entities and their respective representatives, during normal business hours, access to the Leases and the Railcars and all books and records relating to the Leases and the Railcars, and the Manager shall permit such persons to examine and copy such books and records and investigate such Leases and Railcars to the extent requested by the Railcar Entities and at the Railcar Entities' expense in connection with any reasonable business purpose; provided, however, that such access does not unreasonably disrupt the normal operations of the Manager.

Section 8.07. Binding Effect. All provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

Section 8.08. Article Headings. The article headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof.

Section 8.09. Legal Holidays. In the case where the date on which any action required to be taken, document required to be delivered or payment required to be made is not a Business Day, such action, delivery or payment need not be made on such date, but may be made on the next succeeding Business Day.

Section 8.10. Assignment for Security for the Notes. The Manager understands that each Company will assign to, and grant to the Indenture Trustee under the Indenture a security interest in, all of its right, title and interest to this Agreement. The Manager consents to such assignment and grant and further agrees that all representations, warranties, covenants, and agreements of the Manager made herein shall also be for the benefit of and inure to the Class A Note Insurer, the Indenture Trustee and the Holders.

Section 8.11. Third-Party Beneficiaries. The Class A Note Insurer and its successors and assigns shall be third-party beneficiaries to the provisions of this Agreement, and shall be entitled to rely upon and directly enforce such provisions of this Agreement. Nothing in this Agreement, express or implied, shall give to any Person, other than the Class A Note Insurer, the parties hereto and their successors hereunder and permitted assigns, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 8.12. No Bankruptcy Petition. The Manager hereby covenants and agrees for the benefit of each of the parties hereto, the Indenture Trustee and each of the other Secured Parties, that, prior to the date which is one year and one day after the payment in full of all obligations of each of the Companies, it will not institute against any Company, or join any other Person in instituting against any Company, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States, any state of the United States or any foreign jurisdiction. Each Company hereby covenants and agrees for the benefit of each of the parties hereto, the Indenture Trustee and each of the other Secured Parties, that, prior to the date which is one year and one day after the payment in full of all obligations of the Manager and each other Company, it will not institute against the Manager or any other Company, or join any other Person in instituting against the Manager or any other Company any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States, any state of the United States or any foreign jurisdiction. This Section 8.12 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, each Company, the Manager, the Indenture Trustee and the Backup Manager have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the date and year first above written.

NARCAT LLC

By /s/Rasesh H. Shah

Name: Rasesh H. Shah
Title: Manager

CARCAT ULC

By Rasesh H. Shah

Name: Rasesh H. Shah
Title: President/Secretary

NARCAT MEXICO, S. DE R.L. DE C.V.

By /s/Rasesh H. Shah

Name: Rasesh H. Shah
Title: Legal Representative

THE ANDERSONS, INC.

By /s/Gary Smith

Name: Gary Smith
Title: Vice President, Finance and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Indenture Trustee and as Backup Manager

By /s/Joe Nardi

Name: Joe Nardi
Title: Vice President

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NARCAT LLC,
CARCAT ULC and
NARCAT MEXICO, S. DE R.L. DE C.V.,
as the Companies

THE ANDERSONS, INC.,
as the Servicer

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as the Indenture Trustee and as the Backup Servicer

SERVICING AGREEMENT

Dated as of February 12, 2004

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SERVICING AGREEMENT, dated as of February 12, 2004 (this "Agreement"), by and among NARCAT LLC ("NARCAT"), a Delaware limited liability company, CARCAT ULC ("CARCAT"), a Nova Scotia unlimited liability company, NARCAT MEXICO, S. DE R.L. DE C.V. ("NARCAT MEXICO"), a Mexican limited liability company with variable capital, (each, a "Company" and collectively, the "Companies"), THE ANDERSONS, INC. ("The Andersons"), an Ohio corporation, as the servicer (the "Servicer"), and WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), a national banking association, as the indenture trustee (the "Indenture Trustee") and as the backup servicer (the "Backup Servicer").

PRELIMINARY STATEMENT

The Companies are entering into an Indenture, dated as of February 12, 2004 (as amended or supplemented from time to time, the "Indenture"), among the Companies and the Indenture Trustee, pursuant to which the Companies will issue, jointly and severally, \$29,000,000 aggregate principal amount of their 2.79% Class A-1 Railcar Notes due 2019, \$21,000,000 aggregate principal amount of their 4.57% Class A-2 Railcar Notes due 2019, \$31,400,000 of their 5.13% Class A-3 Railcar Notes due 2019 and \$5,000,000 aggregate principal amount of their 14.00% Class B Railcar Notes due 2019 (collectively, the "Notes"). The obligations of the Companies under the Notes and the Indenture will be secured by specified Railcars, Leases and other Railcar Assets (as such capitalized terms are defined herein) and related assets, in each case as described in the Indenture.

NARCAT is entering into a Sale Agreement, dated as of February 12, 2004 (the "NARCAT Sale Agreement"), with Cap Acquire, LLC (the "NARCAT Seller") providing for, among other things, the sale by the NARCAT Seller to NARCAT of certain Railcars, Leases and the other Railcar Assets which NARCAT is and will be pledging to the Indenture Trustee, and in which NARCAT is granting to the Indenture Trustee a security interest.

CARCAT is entering into a Sale Agreement, dated as of February 12, 2004 (the "CARCAT Sale Agreement"), with Cap Acquire Canada ULC (the "CARCAT Seller") providing for, among other things, the sale by the CARCAT Seller of certain Railcars, Leases and other Railcar Assets which CARCAT is and will be pledging to the Indenture Trustee, and in which CARCAT is granting to the Indenture Trustee a security interest.

NARCAT Mexico is entering into a Sale Agreement, dated as of February 12, 2004 (the "NARCAT Mexico Sale Agreement" and, together with the NARCAT Sale Agreement and the CARCAT Sale Agreement, the "Sale Agreements"), with Cap Acquire Mexico, S. de R.L. de C.V. (the "NARCAT Mexico Seller" and, together with the NARCAT Seller and the CARCAT Seller, the "Sellers") providing for, among other things, the sale by the NARCAT Mexico Seller of certain Railcars, Leases and other Railcar Assets which NARCAT Mexico is and will be pledging to the Indenture Trustee, and in which NARCAT Mexico is granting to the Indenture Trustee a security interest.

It is a condition precedent to the issuance of the Notes under the Indenture that, on or prior to the Closing Date (as defined in the Indenture), the Companies enter into this Agreement with the Servicer and the Backup Servicer to provide for the servicing of the Leases. In order to further secure each Company's obligations under the Indenture and the Notes, each Company is granting to the Indenture Trustee a security interest in, among other things, such Company's rights derived under this Agreement, and the Servicer agrees that all covenants and agreements made by the Servicer herein with respect to the Leases, Railcars and other Railcar Assets shall also be for the benefit and security of the Class A Note Insurer (as defined herein), the Indenture Trustee and all Holders of the Notes. For its services hereunder, the Servicer will receive the Servicer Fee (as defined herein) as set forth in Section 2.09.

On the date hereof, the Companies and Wells Fargo, as the Indenture Trustee and as the backup manager, are entering into a Management Agreement, dated as of February 12, 2004 (the "Management Agreement"), with The Andersons (the "Manager") for the purpose of engaging the Manager, on behalf of each respective Company, to cause such Company's Railcars to be maintained, insured and marketed in accordance with industry standards, perform all of such Company's obligations under the Leases with its Lessees and other agreements and perform other functions, in each case, as set forth therein.

The Servicer is engaged in the business of owning, leasing, managing and servicing railcars for itself and for others, and each Company desires to retain the Servicer, on the terms and conditions set forth in this Agreement, to receive and apply as required under the Indenture all collections received with respect to the Leases, Railcars and other Railcar Assets on behalf of each such Company.

ARTICLE I

DEFINITIONS

Section 1.01. Defined Terms. Subject to Section 1.02 and except as otherwise specified or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Agreement, and the definitions of such terms are equally applicable both to the singular and plural forms of such terms and to the masculine, feminine and neuter genders of such terms:

"Action" shall mean any action, claim, suit, litigation, arbitration or governmental investigation.

"Affiliate" shall have the meaning set forth in the Indenture.

"Agreement" shall mean this Servicing Agreement as amended, restated or supplemented from time to time as permitted hereby.

"Asset Purchase Agreement" shall have the meaning set forth in the Indenture.

"Authorized Officer" shall have the meaning set forth in the Indenture.

"Backup Servicer" shall have the meaning set forth in the preamble of this Agreement.

"Backup Servicer Fee" shall mean the fees of the Backup Servicer set forth in that certain fee letter, dated February 12, 2004, and acknowledged on February 12, 2004 by the Companies.

"Board of Directors" shall mean the Board of Directors of the Servicer or any duly authorized committee of such Board.

"Business Day" shall have the meaning set forth in the Indenture.

"CARCAT" shall have the meaning set forth in the preamble to this Agreement.

"CARCAT Lockbox Account" shall have the meaning set forth in Section 2.02(c).

"CARCAT Lockbox Agreement" shall mean the Lockbox Agreement, dated as of February 12, 2004, by and among the CARCAT Lockbox Bank, CARCAT, the Servicer and the Indenture Trustee, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"CARCAT Lockbox Bank" shall mean Bank of Montreal, and its successors and assigns.

"CARCAT Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"CARCAT Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Change of Control" shall have the meaning set forth in the Management Agreement.

"Class A Note Insurer" shall mean MBIA Insurance Corporation, a stock insurance company incorporated under the laws of the State of New York, or its successors in interest.

"Class A Notes" shall have the meaning set forth in the Indenture.

"Class B Holders" shall have the meaning set forth in the Indenture.

"Closing Date" shall have the meaning set forth in the Indenture.

"Collateral" shall have the meaning set forth in the Indenture.

"Collection Accounts" shall have the meaning set forth in the Indenture.

"Collection Period" shall have the meaning set forth in the Indenture.

"Collections" shall have the meaning set forth in the Indenture.

"Company" or "Companies" shall have the meaning set forth in the preamble of this Agreement.

"Concentration Limits" shall have the meaning set forth in the Indenture.

"Continued Errors" shall have the meaning set forth in Section 6.05(e).

"Controlling Party" shall have the meaning set forth in the Indenture.

"Defaulted Lease" shall mean any Lease that comes into and continues in default for 90 days.

"Determination Date" shall have the meaning set forth in the Indenture.

"Environmental Law" shall have the meaning set forth in the Indenture.

"Errors" shall have the meaning set forth in Section 6.05(e).

"Event of Default" shall have the meaning set forth in the Indenture.

"Existing Leases" shall have the meaning set forth in the Indenture.

"GAAP" shall have the meaning set forth in the Indenture.

"Governmental Authority" shall have the meaning set forth in the Indenture.

"Hazardous Commodities" shall have the meaning set forth in the Indenture.

"Holder" or "Holders" shall have the meaning set forth in the Indenture.

"Indemnified Parties" shall have the meaning set forth in Section 5.03.

"Indenture" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Indenture Trustee" shall have the meaning set forth in the preamble of this Agreement.

"Initial Manager" shall have the meaning set forth in the Management Agreement.

"Initial Servicer" shall mean The Andersons and any of its Affiliates.

"Insurance Policy" shall have the meaning set forth in the Indenture.

"Insurance Proceeds" shall have the meaning set forth in the Indenture.

"Knowledge of the Servicer" shall mean the actual knowledge, after due inquiry, of the officers of the Servicer or its Affiliate responsible for matters relating to the Servicer's performance of its obligations hereunder.

"Law" shall have the meaning set forth in the Indenture.

"Lease" shall have the meaning set forth in the Indenture.

"Lease File" shall mean, with respect to each Lease, (i) a certified copy of the Lease, (ii) each executed original counterpart of the Lease that constitutes "chattel paper" or an "instrument" for purposes of Sections 9-102(a)(11) and (47) of the Uniform Commercial Code, (iii) a guaranty, if any, (iv) documents evidencing or related to any Insurance Policy, (v) copies of all statements, memorandums, UCC financing statements and other documents filed with respect to the Lease in accordance with the filing requirements of this Agreement, (vi) copies of any additional Lease documents evidencing any waivers, amendments or modifications of the Lease by the Servicer in accordance with the terms of this Agreement, and (vii) any other documents relating thereto held by the Servicer.

"Lease Receivables" shall have the meaning set forth in the Indenture.

"Lessee" shall have the meaning set forth in the Indenture.

"Liens" shall have the meaning set forth in the Indenture.

"Liquidation Proceeds" shall have the meaning set forth in the Indenture.

"Lockbox Account" shall have the meaning set forth in Section 2.02(c).

"Lockbox Agreements" shall mean, collectively, the NARCAT Lockbox Agreement, the CARCAT Lockbox Agreement and the NARCAT Mexico Account Agreement.

"Lockbox Bank" shall mean with respect to the NARCAT Lockbox Agreement, the NARCAT Lockbox Bank, with respect to the Canadian Lockbox Agreement, the CARCAT Lockbox Bank, and with respect to the NARCAT Mexico Account Agreement, the NARCAT Mexico Bank, respectively.

"Manager" shall have the meaning set forth in the Management Agreement.

"Management Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Material Adverse Effect" shall have the meaning set forth in the Indenture.

"Monthly Servicer Report" shall have the meaning set forth in Section 3.01.

"NARCAT" shall have the meaning set forth in the preamble to this Agreement.

"NARCAT Collection Account" shall have the meaning set forth in the Indenture.

"NARCAT Lockbox Account" shall have the meaning set forth in Section 2.02(c).

"NARCAT Lockbox Agreement" shall mean the Lockbox Agreement, dated as of February 12, 2004, by and among the NARCAT Lockbox Bank, NARCAT, the Servicer and the Indenture Trustee, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"NARCAT Lockbox Bank" shall mean Harris Trust and Savings Bank, and its successors and assigns.

"NARCAT Mexico" shall have the meaning set forth in the preamble to this Agreement.

"NARCAT Mexico Account" shall have the meaning set forth in Section 2.02(c).

"NARCAT Mexico Account Agreement" shall mean each Contract for Multiple Banking and Financial Services, dated as of February 12, 2004, by and between the NARCAT Mexico Bank and NARCAT Mexico, and any instructions or directions related to each such account, as the same may be amended, restated, supplemented or otherwise modified from time to time in accordance with the terms thereof.

"NARCAT Mexico Bank" shall mean Scotiabank Inverlat, and its successor and assigns.

"NARCAT Mexico Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT Mexico Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT Sale Agreement" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"NARCAT Seller" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Notes" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Officer's Certificate" shall mean a certificate signed by the Chairman of the Board, the Vice Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Servicer.

"Opinion of Counsel" shall have the meaning set forth in the Management Agreement.

"Permitted Liens" shall have the meaning set forth in the Indenture.

"Person" shall have the meaning set forth in the Indenture.

"Predecessor Servicer Work Product" shall have the meaning set forth in Section 6.05(e).

"Purchase" shall have the meaning set forth in the Management Agreement.

"Purchase Price" shall have the meaning set forth in the Management Agreement.

"Railcar" or "Railcars" shall have the meaning set forth in the Indenture.

"Railcar Assets" shall have the meaning set forth in the Indenture.

"Railcar Entities" shall have the meaning set forth in the Indenture.

"Rapid Amortization Event" shall have the meaning set forth in the Indenture.

"Rating Agencies" shall have the meaning set forth in the Indenture.

"Rating Agency Condition" shall have the meaning set forth in the Indenture.

"Relevant Company" shall mean, in respect of any Leases, Railcars or other Railcar Assets, the Company which is the owner thereof.

"Relevant Sale Agreement" shall have the meaning set forth in the Management Agreement.

"Rent" shall have the meaning set forth in the Indenture.

"Reported Companies" shall have the meaning set forth in the Management Agreement.

"Reported Companies' Financial Statements" shall have the meaning set forth in the Management Agreement.

"Seller" or "Sellers" shall have the meaning set forth in the Preliminary Statement of this Agreement.

"Separate Person" shall have the meaning set forth in Section 2.11.

"Servicer" shall have the meaning set forth in the preamble of this Agreement, or any Successor Servicer appointed pursuant to Section 6.01.

"Servicer Event of Termination" shall mean each of the occurrences or circumstances enumerated in Section 6.01.

"Servicer Fee" shall mean the amounts due to the Servicer pursuant to Section 2.09.

"Servicer Termination Notice" shall have the meaning set forth in Section 6.01(a).

"Servicing Officer" means any representative of the Servicer involved in, or responsible for, the administration and servicing of the Leases whose name appears on a list of servicing officers furnished to the Class A Note Insurer, the Indenture Trustee and the Companies by the Servicer, as such list may from time to time be amended in accordance with Section 2.01(d).

"Servicing Standard" shall have the meaning set forth in Section 2.01(c).

"Solvent" shall have the meaning set forth in the Indenture.

"Stated Value" shall have the meaning set forth in the Indenture.

"Subsequent Lease" shall have the meaning set forth in the Indenture.

"Successor Servicer" shall have the meaning set forth in Section 6.01(b).

"Tangible Net Worth" shall have the meaning set forth in the Management Agreement.

"Tax Payment Amount" shall have the meaning set forth in the Indenture.

"Tax Payment Recipient" shall have the meaning set forth in the Indenture.

"The Andersons" shall mean The Andersons, Inc., an Ohio corporation, and its permitted successors and assigns.

"TOP CAT" shall mean TOP CAT Holding Co., a Delaware corporation.

"Transaction Documents" shall have the meaning set forth in the Indenture.

"UCC" shall have the meaning set forth in the Management Agreement.

Section 1.02. Terms Defined in the Indenture, Sale Agreements or Management Agreement. For the purposes of this Agreement, capitalized terms used but not otherwise defined herein shall have the respective meanings assigned to such terms in the Indenture or, if not defined therein, in the Sale Agreements or the Management Agreement, as applicable.

ARTICLE II

ADMINISTRATION AND SERVICING OF LEASE RECEIVABLES

Section 2.01. The Servicer to Act as Servicer; Standard of Care; Covenants Concerning Leases. (a) Each Company hereby retains The Andersons as Servicer hereunder, as an independent contractor for the purpose of undertaking and performing the services described in

this Agreement, and The Andersons hereby agrees to act as Servicer on the terms and conditions set forth herein.

(b) The Servicer shall administer the Leases, and maintain and administer the Lease Files, on behalf of the Companies in accordance with the terms of this Agreement and, subject to the Indenture, the Servicer shall have the requisite power and authority to do any and all things in connection with such servicing and administration which it may deem necessary or desirable in accordance with the standard of care set forth below; provided, however, that such actions do not infringe upon the duties of the Manager as set forth in the Management Agreement. Without limiting the generality of the foregoing, subject to Sections 2.01(f) and 2.01(l), the Servicer is hereby authorized and empowered by each Company to execute and deliver, on behalf of such Company, any and all consents, instruments of satisfaction or cancellation, or of partial or full release or discharge, and all other comparable instruments, with respect to the Leases (except any consent to be given by such Company pursuant to this Section 2.01).

(c) All of the functions, services, duties and obligations of the Servicer under this Agreement shall be performed by the Servicer at a level of care and diligence consistent with customary commercial practices as would be used by a prudent Person in the railcar leasing and servicing industry and the level of care and diligence utilized by the Servicer in its business and in the servicing of the Servicer's own fleet of railcars, if any, in order for each Company to be able to perform its obligations under the Leases and the other applicable Transaction Documents (the "Servicing Standard"). The Servicer agrees that servicing of the Leases (including the collection and distribution of any Liquidation Proceeds) shall be carried out in accordance with the Servicing Standard.

(d) Promptly after the execution and delivery of this Agreement, the Servicer shall deliver to the Companies, the Class A Note Insurer and the Indenture Trustee the titles for two employees of the Servicer (which employees shall have experience and expertise in the railcar leasing industry sufficient to perform the duties and obligations of the Servicer under this Agreement in accordance with the Servicing Standard) which shall be involved in, or responsible for, the administration and servicing of the Leases, which list shall from time to time be updated by the Servicer, upon reasonable notice to, and upon the written consent of an Authorized Officer of, each of the Companies.

(e) The parties hereto acknowledge that the Companies shall retain title to, and ownership and exclusive control of, the Collateral (subject to the Lien of the Indenture). Except as expressly permitted hereunder, the Servicer will not acquire any title to, security interest in, or other rights of any kind in or to the Railcars, Leases or other Railcar Assets. The Servicer agrees not to file any Lien, exercise any right of setoff against, or attach or assert any claim in, any of the Leases, Railcars or other Railcar Assets, unless authorized pursuant to a judicial or administrative proceeding or a court order or on behalf of the Companies or the Indenture Trustee in accordance with this Agreement or the Indenture.

(f) In performing its obligations hereunder, the Servicer may, acting in the name of the Relevant Company and without the necessity of obtaining the prior consent of the Relevant Company or the Indenture Trustee, enter into and grant modifications, waivers and amendments

to the terms of any Lease as it may deem reasonably necessary or advisable to maximize Collections, except for modifications, waivers or amendments that (i) are inconsistent with the Servicing Standard, (ii) after giving effect thereto, would cause such Lease to cease to comply with any of the representations and warranties of the Manager in Section 4.03 of the Management Agreement, (iii) after giving effect thereto, would permit the Lessee thereunder to take action with respect to the Railcars which are subject to such Lease which would cause the Relevant Company to be in default of its obligations under any of the Transaction Documents to which it is a party, or (iv) otherwise could reasonably be expected to materially adversely affect, individually or in the aggregate, the interests of any Company, the Class A Note Insurer, the Indenture Trustee or the Holders or otherwise would conflict with Section 2.01(1).

(g) Unless otherwise directed by a Company, the Servicer shall not be required on such Company's behalf to threaten or commence any legal or other proceedings before any court or Governmental Authority or nongovernmental organization in connection with its performance or actions hereunder if, in the Servicer's reasonable judgment consistent with the Servicing Standard, the potential expense or risk associated with such exercise or action is such that the Servicer would not undertake such exercise or action with respect to other railcars owned, managed or serviced by the Servicer. If the Servicer, in accordance with this Agreement, commences a legal proceeding to enforce a Defaulted Lease or commences or participates in a legal proceeding relating to or involving a Lease, the Relevant Company will be deemed to have automatically assigned such Lease to the Servicer solely for purposes of commencing or participating in any such proceeding as a party or claimant, and the Servicer is authorized and empowered by such Company, pursuant to this Section 2.01, to execute and deliver, on behalf of itself and the Company, any and all instruments of satisfaction or cancellation, or partial or full release or discharge, and all other notices, demands, claims, complaints, responses, affidavits or other documents or instruments, without recourse to the Company, in connection with any such proceedings. If in any enforcement suit or legal proceeding it is held that the Servicer may not enforce a Lease on the ground that is not a real party in interest or a holder entitled to enforce the Lease, then the Company will, at the Servicer's expense and direction, take steps to enforce the Lease, including bringing suit in the Company's name.

(h) In the event of any modification, waiver or amendment of any Lease in accordance with this Section 2.01, the Servicer will (i) duly note such modification, waiver or amendment in the next succeeding Monthly Servicer Report (and certify therein that such modification, waiver or amendment is not prohibited by the provisions of this Section 2.01), (ii) prior to the end of the calendar month in which such Monthly Servicer Report is delivered (or sooner if so requested by the Indenture Trustee), furnish the Indenture Trustee with a copy thereof, and (iii) shall take such other action, if any, as is necessary to preserve and maintain the perfection and priority of the Lien of the Indenture with respect to such Lease as so modified or amended (including, if necessary, delivering all originals thereof not in the possession of the Lessee under the related Lease to the Indenture Trustee).

(i) At the request of a Lessee, the Servicer may, in its sole discretion, consent to the assignment of any Lease (or Lessee's leasehold interest in Railcars leased thereunder); provided, however, that (i) such Lessee will remain liable for all of its obligations under such Lease prior to such assignment, (ii) such assignee satisfies the credit criteria set forth in the Servicer's credit

policies and procedures, (iii) after giving effect thereto, the Companies will be in compliance with the Concentration Limits, and (iv) such assignment will not cause the relevant Leases, Railcars or other Railcar Assets to cease to comply with any of the representations and warranties of the Manager contained in Section 4.03 of the Management Agreement.

(j) At the request of a Lessee, the Servicer may, in its sole discretion, consent to the sublease of any Railcars under a Lease; provided, however, that unless each Lessee will remain liable for all of its obligations under such Lease (including with respect to the related Railcars) and such sublease shall be subject and subordinate to the Lessee's obligations under such Lease, then (i) such sub-lessee satisfies the credit criteria set forth in the Servicer's credit policies and procedures and (ii) the original copies of such sub-lease which constitute chattel paper are delivered to the Indenture Trustee, and the Servicer instructs that all payments thereunder are to be sent directly to the related Lockbox Bank for deposit into the related Lockbox Account.

(k) The Servicer may enter into servicing agreements with one or more subservicers, with prior written notice to the Class A Note Insurer, the Companies, the Backup Servicer and the Indenture Trustee, to perform all or a portion of the servicing functions on behalf of the Servicer; provided, however, that the Servicer will remain obligated and be liable to the Class A Note Insurer, the Indenture Trustee, the Backup Servicer and the Relevant Company for servicing and administering the Leases in accordance with the provisions of this Agreement, without diminution of such obligation and liability by virtue of the appointment of such subservicer, to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Leases. The fees and expenses of the subservicer (if any) will be as agreed between the Servicer and its subservicer and shall be the liability of the Servicer exclusively, and none of the Class A Note Insurer, the Indenture Trustee, the Backup Servicer, the Companies or any Holder will have any responsibility therefor; provided, however, to the extent agreed to between the Servicer and subservicer, expenses of the subservicer may be reimbursed by the Servicer and treated for all purposes hereof as expenses incurred by the Servicer (which shall be reimbursable by the Relevant Company if and to the extent provided herein and subject to the availability of funds therefor under the Indenture). All actions of a subservicer taken pursuant to such a subservicer agreement will be taken as an agent of the Servicer with the same force and effect as though performed by the Servicer. The Successor Servicer may in the course of performing its duties hereunder employ agents or attorneys, and the Successor Servicer shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent or attorney appointed by it with due care hereunder.

(l) The Servicer shall not take any action, without the consent of the Relevant Company and the Indenture Trustee (acting at the direction of the Controlling Party) which would release any Person from any of its covenants or obligations under any of the Leases or under any other instrument included in the Collateral, which action or release would materially and adversely affect the interests of the Holders, the Class A Note Insurer or the Indenture Trustee in any such Lease or which would result in the amendment, hypothecation, subordination, termination, set off or discharge of, or impair the validity or effectiveness of, any of the Leases or any such instrument, except as expressly provided herein and therein.

(m) The Backup Servicer may, both before and after the time, if any, that it is acting as Successor Servicer, share information regarding the Railcars, Leases and other Railcar Assets with subservicers and its agents and attorneys; provided, however, that, unless a Servicer Event of Termination has occurred and is continuing or the Class A Note Insurer directs otherwise, the Backup Servicer shall ensure that such shared information has been redacted to remove all information that, if disclosed, would create a competitive disadvantage for The Andersons (including but not limited to the names of Lessees).

(n) The Servicer shall not directly perform services in Canada nor hire non-Canadian residents to perform services in Canada. The Servicer, as an agent for CARCAT, shall engage Canadian residents to perform services in Canada for CARCAT.

Section 2.02. Credit Monitoring; Collection of Lease Receivables and Remittances; the Lockbox Accounts. (a) The Servicer shall monitor the creditworthiness and performance of the Lessees and use its best efforts consistent with the Servicing Standard to collect all payments of Rents and all other amounts required under the terms and provisions of the Leases to be paid as and when the same shall become due, and shall use collection procedures consistent with the Servicing Standard.

(b) In addition, the Servicer shall use its best efforts consistent with the Servicing Standard to collect all amounts due and owing, and to enforce all of the Relevant Company's rights to collect such amounts, from any and all other Persons and sources (other than Lessees to the extent provided elsewhere in this Section 2.02) with respect to the Leases, Railcars and other Railcar Assets, including any Insurance Proceeds, warranty payments, and overpayments and refunds with respect to taxes, maintenance or other services provided to or for the benefit of the Relevant Company or the Leases, Railcars or other Railcar Assets, and hourly fees and Railroad Mileage Credits.

(c) NARCAT will establish a lockbox account in the United States (the "NARCAT Lockbox Account"), CARCAT will establish a lockbox account in Canada (the "CARCAT Lockbox Account") and NARCAT Mexico will establish a segregated account in Mexico (the "NARCAT Mexico Account") (each a "Lockbox Account") for payments under the Leases to be maintained at the related Lockbox Bank in the name of Indenture Trustee pursuant to the related Lockbox Agreement. The Servicer shall not create or permit to exist any Lien, charge or encumbrance on any Lockbox Account.

(d) The Servicer will bill each Lessee (at least monthly, quarterly, semi-annually or annually, as applicable for Rent payable under such Lease) as agent for the Companies, in invoices, separate from invoices for any leases or railcars not owned by the Companies, for the amount of rent or other amounts (including the Rent) owed with respect to the Railcars by the Lessee. Each invoice will provide a detailed listing of such Railcars, and the applicable amounts due and owing (including the Rent) with respect to each such Railcar, to which the invoice relates. For certain Lessees, invoices may be sent electronically. The Railcars will be sufficiently identified in the detail of the invoice, by serial or other identification number, to allow the parties to specifically identify the amounts which are due to the Relevant Company. All invoices will

instruct the obligor thereunder to make payment of such invoice directly to the related Lockbox Bank for deposit into the related Lockbox Account.

(e) The Servicer shall arrange with each Lockbox Bank that by 1:00 p.m. on each Business Day (or as soon thereafter as practicable), such Lockbox Bank will make available to the Servicer a computer file of customer checks and related documentation containing information with respect to all payments received in such Lockbox Account from 12:00 noon of the previous Business Day through 12:00 noon of such Business Day.

(f) If the payment information made available by any Lockbox Bank to the Servicer under Section 2.01(e) is insufficient to determine the proper allocation of a payment (or any portion thereof) between The Andersons and the Companies, the Servicer will use such other information as is available and conduct such procedures as are appropriate to determine the proper allocation of such payment, including a review of original Lease and invoice information and contacting Lessees, to the extent necessary.

(g) By the close of business on each Business Day, the Servicer will cause all funds held in the NARCAT Lockbox Account or in the CARCAT Lockbox Account to be transferred to the applicable Collection Account maintained under the Indenture. By the close of business on the second Business Day after deposit of any payment into the NARCAT Mexico Account, the Servicer will cause all funds held in the NARCAT Mexico Account to be transferred to the NARCAT Collection Account.

(h) If, notwithstanding the payment instructions given by the Servicer in its invoices under Section 2.01(d), Lease payments or other amounts in respect of the Railcars are received directly by the Servicer, the Servicer agrees to hold any such Lease payments or other amounts in trust and forthwith, promptly and in any event with the time set forth in Section 2.01(g), to transmit and deliver to the related Lockbox Bank (for transfer pursuant to Section 2.01(g) to the Collection Accounts maintained under the Indenture), in the form received, all cash, checks and other instruments or writings for the payment of money so received by the Servicer.

(i) Each Lockbox Account will be titled in the name of the Indenture Trustee as trustee (the "Lockbox Trustee") on behalf of the related Company, the Class A Note Insurer and the Holders. As to the Companies' billings following the appointment of a Successor Servicer, the Successor Servicer shall re-caption the invoices to refer to the Successor Servicer, as agent for the Companies. Effective as of the date of termination of the initial Servicer, the Successor Servicer will submit reports, as needed, to the Lockbox Trustee indicating the amount billed to Lessees in respect of the Railcars. In instances where a customer of more than one of The Andersons and the Companies pays with a single check that is not in the full amount owed to all such parties, unless it is manifestly clear that the deduction is allocable to the Companies, the Successor Lockbox Trustee will be instructed to assume that the deduction is allocable to The Andersons and to the extent that such deduction exceeds the amount due to The Andersons, any such excess shall be allocated pro-rata (based upon reported billings) among the Companies.

(j) The Servicer may not allow an offset of the amount of any security deposit against any payment under any Lease.

Section 2.03. Records Held as Bailee. With respect to Leases serviced by the Servicer, the Servicer shall retain all data and records relating directly to, or maintained in connection with, the servicing of such Leases at the offices of the Servicer, and shall give the Companies and the Indenture Trustee, or such other Person as the Indenture Trustee shall direct, access to all such data and records at all reasonable times, and, while a Servicer Event of Termination shall be continuing, the Servicer shall, on demand of the Indenture Trustee, deliver to or at the direction of the Indenture Trustee all data and records necessary for the servicing of such Lease Receivables. If the rights of the Servicer shall have been terminated pursuant to Section 6.01, the Servicer shall, in accordance with Section 6.01(e), deliver to the Indenture Trustee or the Successor Servicer all data and records necessary for the servicing of such Leases and shall otherwise cooperate with the Indenture Trustee and the Successor Servicer as set forth in Section 6.01(e).

Section 2.04. Withdrawals from the Collection Accounts. (a) The Servicer is entitled to make requests to the Indenture Trustee for withdrawals from the Collection Accounts, and the Indenture Trustee shall pay to the Servicer from the Collection Accounts, to the extent there are available funds in the Collection Accounts, at the Servicer's written direction:

(i) any amounts received from the Lessees or other parties which the Servicer has reasonably identified as amounts not constituting payments made with respect to the Leases, the Railcars or other Railcar Assets;

(ii) all amounts received in respect of Leases, Railcars and other Railcar Assets on or before the Closing Date with respect to Existing Leases or the date of transfer to any Company with respect to Subsequent Leases; and

(iii) all amounts received in respect of Leases following the Purchase thereof by the Manager or the Servicer;

provided, however, that the Servicer shall hold any amounts under this Section 2.04 in trust for the relevant appropriate person and payable to such appropriate person (except with respect to amounts received in respect of Leases, Railcars or other Railcar Assets following the Purchase thereof by the Manager, in which case in trust for the Manager and payable to the Manager) upon receipt by the Servicer.

(b) For purposes of determining whether payments received from Lessees are attributable to the Leases transferred, sold and assigned to one of the Companies, all payments received from Lessees and all deficiencies in such payments will be allocated in accordance with the Servicer's records and the further provisions of this paragraph. If any deficiency in any payment from any Lessee shall occur and such Lessee shall have identified the source of the deficiency in its payment, the payments received shall be allocated in accordance with the Servicing Standard (including, where appropriate, the allocation specified by the Lessee). If any deficiency shall occur and no such identification is made by the Lessee, the payment received shall be allocated on a pro rata basis.

Section 2.05. No Offset. The obligations of the Servicer under this Agreement shall not be subject to any defense, counterclaim or right of offset which the Servicer has or may have against any Company, the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or any Holder whether in respect of this Agreement, any Lease, Railcar or other Railcar Asset or otherwise.

Section 2.06. Custody of Lease Files. (a) Pursuant to the Indenture, the Companies have pledged the Collateral to the Indenture Trustee and the Indenture Trustee will hold such Collateral, including the Lease Files, for the benefit of all Holders and the Class A Note Insurer, as their interests may appear, subject to the terms and provisions thereof.

(b) The Servicer, as agent of the Indenture Trustee and the Relevant Company, shall hold and hereby acknowledges that it shall hold the Lease Files (exclusive of any original counterpart of the Lease constituting chattel paper held by the Indenture Trustee or in the possession of the Lessee under such Lease) and any other Collateral that it may from time to time receive hereunder as custodian for the Indenture Trustee, in accordance with the Servicing Standard as such Servicing Standard applies to servicers acting as custodial agents. So long as the Backup Servicer is not acting as Servicer, the Indenture Trustee will not be responsible for any actions of the Servicer in its role of custodian of the Lease Files. The Servicer shall promptly report to the Indenture Trustee any failure by it to hold the complete Lease Files previously provided on behalf of the Indenture Trustee as herein provided and shall promptly take appropriate action to remedy any such failure. As custodian, the Servicer shall have and perform the following powers and duties:

(i) hold the Lease Files (exclusive of any original counterpart of the Lease constituting chattel paper held by the Indenture Trustee or in the possession of the Lessee under such Lease) that it may from time to time receive hereunder on behalf of the Indenture Trustee and the Holders, maintain accurate records pertaining to each Lease to enable it to comply with the terms and conditions of this Agreement and the Transaction Documents, and maintain a current inventory thereof;

(ii) with respect to the handling and custody of such Lease Files, implement policies and procedures in accordance with the Servicing Standard so that the integrity and physical possession of such Lease Files will be maintained; and

(iii) attend to all details in connection with maintaining custody of such Lease Files on behalf of the Indenture Trustee.

(c) In so acting as custodian of such Lease Files, the Servicer agrees further that it does not and will not have or assert any beneficial ownership interest in the Leases, Railcars or other Railcar Assets. Promptly upon the Relevant Company's acquisition thereof, the Servicer, on behalf of the Indenture Trustee, shall note in its computer records relating to the Leases and the Railcars that the Relevant Company has acquired the Lease and the related Railcars and all right and title thereto and interest therein and that the Relevant Company has pledged the Railcars and the Leases to the Indenture Trustee as part of the Collateral.

(d) The Servicer agrees to maintain any Lease Files that it may from time to time receive on behalf the Indenture Trustee at the Servicer's office located in Atlanta, Georgia; provided, however, the Servicer will be permitted to transfer all such Lease Files to its office located in Maumee, Ohio or to such other offices of the Servicer as shall from time to time be identified by prior written notice to the Indenture Trustee and the Class A Note Insurer. Subject to the foregoing, the Servicer may temporarily move individual Lease Files (up to an aggregate number of 18 Lease Files at any given time) or any portion thereof without notice as necessary to conduct collection and other servicing activities in accordance with the Servicing Standard; provided, however, that the Servicer will take all action necessary to maintain the perfection of the Indenture Trustee's security interest in the Lease Files and the proceeds thereof. It is intended that by the Servicer's agreement pursuant to this Section 2.06, the Indenture Trustee shall be deemed to have possession of the Lease Files (to the extent not already held by the Indenture Trustee pursuant to the Indenture) for purposes of Section 9-305 of the Uniform Commercial Code of the state in which the Lease Files are located.

(e) If, in order to conduct collection and other servicing activities in accordance with the Servicing Standard, it is necessary for the Servicer to possess the original counterpart of any Lease which is held by the Indenture Trustee, the Servicer will submit a request for release to the Indenture Trustee substantially in the form attached as Exhibit B. Upon receipt of such request for release, the Indenture Trustee shall release to the Servicer the original counterpart of such Lease within 7 days; provided, however, that without the written consent of the Controlling Party, the Indenture Trustee shall not have released more than 18 Lease Files to the Servicer that have not been returned. The Servicer shall return all such original counterparts to the Indenture Trustee when the Servicer's need therefor no longer exists.

Section 2.07. Defaulted Leases. (a) The Servicer shall use its best efforts consistent with the Servicing Standard to terminate any Lease that it has reasonably determined should be terminated following a default thereunder, and at the Relevant Company's expense, to repossess the Railcars subject to such Lease, to accelerate any deferred payments thereunder and to enforce all rights of the Relevant Company with respect thereto. The Servicer shall follow such practices and procedures as are consistent with the Servicing Standard and otherwise as it shall deem necessary or advisable and as shall be customary and usual in its servicing of railcar leases and other actions by the Servicer in order to realize upon such a Lease, which may include its best efforts consistent with the Servicing Standard to enforce any recourse obligations of Lessees. If in any enforcement suit or legal proceeding it shall be held that the Servicer may not enforce a Lease on the ground that it shall not be a real party in interest or a holder entitled to enforce the Lease, the Relevant Company shall, at the Servicer's direction and at the Relevant Company's expense, take steps to enforce the Lease, including bringing suit in its name or the name of the Indenture Trustee (prior written notice of which shall be given to the Indenture Trustee).

(b) Notwithstanding the foregoing, the Servicer shall take action to terminate any Lease, and use its best efforts, at the Relevant Company's expense, to repossess the Railcars under such Lease, immediately after such Lease becomes a Defaulted Lease and shall, in accordance with its credit policies and procedures, bring an action against the Lessee for all amounts due under such Lease and institute proceedings to repossess the Railcars leased thereunder; provided, however, that the Servicer may delay, for a period not to exceed 180 days, taking any such action with

respect to Railcars comprising not more than 5% of the aggregate Stated Value of all Railcars at any one time under all Defaulted Leases, if it determines, in its reasonable judgment and in accordance with the Servicing Standard, that such delay is advisable.

Section 2.08. Claims Under Insurance Policies; Insurance Policy. (a) In connection with its activities as Servicer, the Servicer agrees to present to, on behalf of itself, the Indenture Trustee, the Class A Note Insurer, the Companies and the Holders, any claims to the Insurer under the applicable Insurance Policy (but in no event to settle, adjust or compromise such claims without such insured's prior written consent).

(b) The Servicer shall maintain, at its own expense, an insurance policy, with coverage appropriate and customary in the industry with responsible companies on all officers or employees of the Servicer, or other persons authorized by the Servicer to act in any capacity with regard to the Collateral to handle funds, money, documents and papers relating to the Leases, and shall deliver to the Indenture Trustee and the Class A Note Insurer evidence of such insurance policy by the Closing Date and once every twelve months thereafter. Any such insurance policy shall protect and insure the Servicer against losses, including forgery, theft, embezzlement, and fraudulent acts of such persons and shall be maintained in a form and amount that would meet the requirements of a prudent institutional servicer. No provision of this Section 2.08 requiring such insurance policy shall diminish or relieve the Servicer from its duties and obligations as set forth in this Agreement. Any such insurance policy shall not be cancelled or modified without ten days' prior written notice to the Indenture Trustee and the Class A Note Insurer. The Servicer shall promptly, but in any event within five days after receipt, notify the Indenture Trustee and the Class A Note Insurer upon receipt from the surety of any termination, cancellation notice or any other notice of a material change to the terms of such insurance policy.

Section 2.09. Servicing Compensation. As compensation to the Servicer for the performance of services hereunder, the Servicer shall be entitled to receive a monthly fee equal to 1/10 of 1% per annum of the Note Principal Balance as of the related Accounting Date (the "Servicer Fee"), which shall be paid to the Servicer on each Payment Date in accordance with, and subject to the priority of payment provisions of, Section 12.02(d) or Section 6.08, as applicable, of the Indenture.

Section 2.10. Conflicts of Interest. It is expressly understood and agreed that nothing herein shall be construed to prevent or prohibit the Servicer from providing the same or similar services to any Person or organization not a party to this Agreement. In particular, the Servicer shall be entitled to own, lease and operate for its own account railroad cars and equipment identical to the Railcars serviced hereunder and/or to service such railroad cars or equipment, and any leases thereof, under a similar servicing agreement with another owner.

Section 2.11. Separate Corporate Existence Covenants. The Servicer recognizes that the Indenture Trustee, the Holders and the Class A Note Insurer have entered into the Transaction Documents on the understanding that each of the Companies, the Sellers and TOP CAT (each, a "Separate Person") is an entity intended to have its own separate existence independent from that of the Servicer. In connection therewith, the Servicer will (i) maintain separate bank accounts and books of account from each Separate Person, (ii) not hold itself out to third parties

as liable or responsible for the debts of each Separate Person (except for performance of such obligations which are assumed by it as Servicer hereunder) and not hold any Separate Person out to third parties as being liable or responsible for the debts of the Servicer, (iii) not conduct business in the name of any Separate Person except when acting in the name of such Separate Person in its capacity as Servicer and it identifies itself as such, (iv) not hold itself out as the owner of the Railcar Assets and take reasonable steps to ensure that Lessees and other parties dealing with the Railcar Assets are aware of the Separate Person's interests therein and (v) take such other actions on its part as may be required for each Separate Person to be in compliance with Sections 4.01(g) and 10.01(p) of the Indenture on the Closing Date. In the event that the Servicer's consolidated financial statements are required under GAAP to include any Separate Person, the Servicer will include footnotes therein that disclose the separate existence of each such Separate Person and its assets from the Servicer and the Servicer's assets.

ARTICLE III

ACCOUNTINGS, STATEMENTS AND REPORTS

Section 3.01. Monthly Servicer Report. With respect to each Payment Date and the related Collection Period, the Servicer will provide to the Backup Servicer, the Class A Note Insurer and the Indenture Trustee, on the Determination Date immediately prior to such Payment Date, a Monthly Servicer Report (a "Monthly Servicer Report"), substantially in the form of Exhibit A hereto with each of the items specified on such form completed as the case may be, together with such supplemental information reasonably requested by the Controlling Party.

Section 3.02. Financial Statements; Certification as to Compliance; Notice of Default. The Servicer will deliver to the Indenture Trustee, the Backup Servicer, each Rating Agency and the Class A Note Insurer, except as provided in subsection (h):

(a) within 90 days after the end of each fiscal year of the Reported Companies, a copy of the Reported Companies' Financial Statements for such fiscal year certified in a manner acceptable to the Controlling Party by the senior financial officer of the Servicer or such other person as may be acceptable to the Controlling Party, it being understood that delivery to the Indenture Trustee, the Backup Servicer, each Rating Agency and the Class A Note Insurer of the Servicer's report on Form 10-K filed with the Securities and Exchange Commission shall satisfy the requirements of this Section 3.02(a);

(b) with each set of Reported Companies' Financial Statements delivered pursuant to subsection (a) above and (d) below, the Servicer will deliver an Officer's Certificate demonstrating compliance with all financial covenants or tests calculated by reference to such financial statements and containing an additional certification to the effect that a review of the activities of the Servicer during the period covered by the Reported Companies' Financial Statements, and of its performance under this Agreement has been made under the supervision of the officer executing such Officer's Certificate with a view to determining whether during such period the Servicer had performed and

observed all of its obligations under this Agreement, and either (i) stating that based on such review no default by the Servicer under this Agreement has occurred and is continuing, or (ii) if such a default has occurred and is continuing, specifying such default, the nature and status thereof and what steps, if any, the Servicer is planning to do or has done to cure such default;

(c) promptly upon becoming aware of the existence of any condition or event which constitutes a Servicer Event of Termination, a written notice describing its nature and period of existence and what action the Servicer is taking or proposes to take with respect thereto;

(d) quarterly, unaudited versions of the Reported Companies' consolidated balance sheet, year-to-date income statement, retained earnings and cash flows within 45 days after the end of each quarter (other than the quarter at the end of each fiscal year), it being understood that delivery to the Indenture Trustee, the Backup Servicer, each Rating Agency and the Class A Note Insurer of the Servicer's report on Form 10-Q filed with the Securities and Exchange Commission shall satisfy the requirements of this Section 3.02(d);

(e) copies of any reports filed by the Servicer with the SEC or the Rating Agencies concerning the Servicer;

(f) in the case of the Initial Servicer, copies of any certificates required to be furnished by the Initial Servicer under any credit agreement to which the Initial Servicer shall be a party and which address compliance by the Initial Servicer with the requirements of such credit agreement and the absence or existence of defaults thereunder;

(g) such other information regarding the Railcars, the Leases, the Servicer or the transactions contemplated hereby as the Class A Note Insurer may reasonably request; and

(h) with respect to the financial reports described in subsections (a) and (d), and the notice described in subsection (c), above, the Servicer will also deliver such reports to the Holders (except that the Servicer shall not be obligated to deliver the notice described in subsection (c) above to each Holder if the Controlling Party has waived such Servicer Event of Termination in accordance with Section 6.04).

Section 3.03. Annual Accountants' Reports. (a) On or before 120 days after the end of each fiscal year of the Servicer, the Servicer shall deliver to each Company, the Indenture Trustee, the Backup Servicer, the Class A Note Insurer (or, in the event that a Class A Note Insurer Default shall have occurred and is continuing, the Holders of the Class A Notes), each Rating Agency and the Class B Holders a report of a firm of independent public accountants of recognized national standing selected by the Servicer to the effect that such firm has examined certain documents and records relating to the servicing of the Railcars, the Leases and the other Railcar Assets under this Agreement and that, on the basis of such examination conducted

substantially in compliance with generally accepted audit standards, nothing came to their attention which caused them to believe that the Servicer has accounted for matters regarding the Railcars, the Leases and the other Railcar Assets, including deposits in, and requested withdrawals from, the Collection Accounts, otherwise than in accordance with this Agreement, except for such immaterial exceptions or errors on records that, in the opinion of such firm, it is not required to report.

(b) In the event such independent public accountants require the Indenture Trustee to agree to the procedures to be performed by such firm in any of the reports required to be prepared pursuant to this Section 3.03, the Servicer shall direct the Indenture Trustee in writing to so agree; it being understood and agreed that the Indenture Trustee will deliver such letter of agreement in conclusive reliance upon the direction of the Servicer, and the Indenture Trustee has not made any independent inquiry or investigation as to, and shall have no obligation or liability in respect of, the sufficiency, validity or correctness of such procedures.

Section 3.04. Delivery of Accountings, Statements and Reports. To the extent that the Servicer and the Manager are the same Person, it may, in its sole discretion and to the extent practicable, fulfill its obligations under this Article III and Article III of the Management Agreement with the delivery of one monthly report, one set of financial statements, a single Officer's Certificate (executed in its capacities as both Servicer and Manager) or a single accountants' report, as the case may be.

Section 3.05. Data Downloads. The Initial Servicer shall provide to the Backup Servicer, upon the request of the Backup Servicer from time to time, data downloads in a format reasonably acceptable to the Backup Servicer, for the purpose of ensuring that the Backup Servicer will be able to act as Successor Servicer.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01. Initial Servicer Representations and Warranties. The Initial Servicer hereby represents and warrants to each Company, the Indenture Trustee and the Backup Servicer as follows:

(a) Corporate Existence and Power. The Servicer has been duly organized and is validly existing and in good standing as a corporation under the laws of the state of Ohio, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and the Servicer is duly qualified to do business and is in good standing in each state where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect. The Servicer has all requisite power and authority and has taken all action necessary to enter into this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by the

Servicer of this Agreement are within the Servicer's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, the Servicer's organizational documents or any contractual or other obligation binding on or affecting the Servicer or any of its assets. The Servicer has delivered to each Company, the Indenture Trustee and the Class A Note Insurer a true and correct copy of its articles of incorporation, its code of regulations and other organizational documents.

(b) No Conflict. The performance of the Servicer's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of the Servicer pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of the Servicer or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Due Authorization, Execution and Delivery. Each Transaction Document to which the Servicer is a party has been duly authorized, executed and delivered by the Servicer and each such Transaction Document is a valid and legally binding agreement of the Servicer, enforceable against the Servicer in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

(d) Solvency. Both before and after giving effect to the transactions contemplated by this Agreement, the Servicer is Solvent.

(e) Accuracy of Information. All information heretofore furnished (including, but not limited to, the Reported Companies' Financial Statements) by the Servicer to each Company, the Indenture Trustee, the Class A Note Insurer and the Backup Servicer for purposes of or in connection with this Agreement, the other Transaction Documents, or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by it hereunder will be, true, complete and correct in every material respect, on the date such information is stated or certified, and no such item contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

(f) Tax Status. It has (i) timely filed all federal, state and local tax returns or permitted extensions thereof in the United States and all other tax returns or permitted extensions thereof in foreign jurisdictions required to be filed and (ii) paid or made adequate provision in accordance with GAAP for the payment of all taxes, assessments and other governmental charges.

(g) Employee Benefits. With respect to employees that primarily work in connection with the Railcar Assets:

(i) Except as set forth on Schedule I, with respect to current or former employees of the Servicer, the Servicer does not maintain, participate in or contribute to any (A) deferred compensation or retirement plans or arrangements, (B) tax-qualified or nonqualified defined contribution or defined benefit plans or arrangements which are employee pension benefit plans (as defined in Section 3(2) of ERISA), (C) employee welfare benefit plans (as defined in Section 3(1) of ERISA), (D) phantom stock appreciation right, stock option, stock purchase or other stock based plans, or (E) any fringe benefit plans or programs. The Servicer does not maintain or contribute to any employee welfare benefit plan that provides health, accident or life insurance benefits to former employees, their spouses or dependents, other than in accordance with Section 4980B of the Code or Part 6 of Subtitle B of Title I of ERISA or other applicable Law.

(ii) The employee pension benefit plans and employee welfare benefit plans (and related trusts and insurance contracts) of the Servicer, which plans are described on Schedule I, have been administered in compliance with the requirements of applicable Laws, except where failure thereof would not result in a Material Adverse Effect on the Collateral. Each employee pension benefit plan which is intended to be a "qualified plan" has received an opinion letter from the Internal Revenue Service as to the qualification under the Code of such plan.

(iii) With respect to each of the plans listed on Schedule I, the Servicer has made available to each Company and the Class A Note Insurer true and complete copies of (A) the plan documents, summary plan descriptions and summaries of material modifications and other material employee communications about such plan, (B) the opinion letter received from the Internal Revenue Service, (C) the Form 5500 Annual Report (including all schedules and other attachments) for the most recent plan year, (D) all related trust agreements, insurance contracts or other funding agreements which implement such plans and (E) all contracts relating to each such plan, including, without limitation, service provider agreements, insurance contracts, investment management agreements and record keeping agreements.

(iv) All contributions and other payments required to have been made by the Servicer with respect to any plan described on Schedule I have been or will be made when due.

To the Knowledge of the Servicer, no plan described on Schedule I is subject to any ongoing audit, investigation or other administrative proceeding of any Governmental Authority nor has any Action been commenced against any such plan (other than for benefits in the ordinary course), in which the adverse result thereof would result in a Material Adverse Effect on the Railcar Assets, or on any Company after the Closing Date.

(h) Employment Matters. The Servicer is not party to, bound by, or negotiating in respect of any collective bargaining agreement or any other agreement with any labor union, association or other employee group in connection with its railcar leasing business, nor, to the Knowledge of the Servicer, is any employee that primarily works in connection with its railcar leasing business represented by any labor union or similar association. No labor union or employee organization has been certified or recognized as the collective bargaining representative of any employee of the Servicer that primarily works in connection with its railcar leasing business. To the Knowledge of the Servicer, there are no formal union organizing campaigns or representation proceedings in process or formally threatened with respect to any employee of the Servicer that primarily work in connection with its railcar leasing business, nor are there any existing or, to the Knowledge of the Servicer, threatened at large labor strikes, work stoppages, organized slowdowns, unfair labor practice charges, or labor arbitration proceedings affecting employees of the Servicer that primarily work in connection with its railcar leasing business.

(i) Environmental Matters. Except to the extent such matters would not have a Material Adverse Effect:

(i) to the Knowledge of the Servicer, the Servicer is in compliance with all applicable Environmental Laws related to the Collateral. Except for matters that have been fully resolved, the Servicer has not received any written communication from any person or Governmental Authority that alleges that its operations in connection with the Railcar Assets are not in compliance with applicable Environmental Laws;

(ii) to the Knowledge of the Servicer, the Servicer has obtained all environmental, health and safety permits and governmental authorizations (collectively, the "Environmental Permits") necessary for the conduct of its railcar leasing business, and all such permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and to the Knowledge of the Servicer, the Servicer is in compliance with all terms and conditions of the Environmental Permits; and

(iii) there is no Environmental Claim pending or, to the Knowledge of the Servicer, threatened against or concerning the Railcar Assets.

To the Knowledge of the Servicer, no release of any Hazardous Commodities has occurred on or from any of the Railcar Assets, which requires investigation, assessment, monitoring, remediation or cleanup under Environmental Laws.

(j) Credit and Collection Policies. The Servicer has previously delivered to the Class A Note Insurer a true and correct copy of its credit and collection policies, and no material amendments shall be made to such policies without the consent of the Class A Note Insurer.

Section 4.02. Company Representations and Warranties. Each Company hereby represents and warrants to the Servicer, the Indenture Trustee and the Backup Servicer as follows:

(a) Such Company has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and such Company is duly qualified to do business and is in good standing in each jurisdiction where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect. Such Company has all requisite power and authority and has taken all action necessary to enter into this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by such Company of this Agreement and the other Transaction Documents are within such Company's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, such Company's organizational documents or any contractual or other obligation binding on or affecting the Company or any of its assets.

(b) The performance of such Company's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of such Company pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement (including the Leases) or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of such Company or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Each Transaction Document to which such Company is a party has been duly authorized, executed and delivered by such Company and each such Transaction Document is a valid and legally binding agreement of such Company, enforceable against such Company in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability

relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

(d) Each Company has delivered to the Servicer a true, complete and correct copy of the Indenture.

Section 4.03. Requirements upon Breach of Certain Representations and Warranties. (a) Upon discovery by any Company or the Servicer that any of the representations or warranties of the Initial Manager set forth in the Management Agreement with respect to each Railcar, Lease and other Railcar Asset was incorrect as of the time made, the party making such discovery shall give prompt notice to the others, to the Class A Note Insurer and to the Indenture Trustee, and the Servicer shall take such steps as are necessary to cause the Initial Manager to comply with its obligations set forth in Section 4.04 of the Management Agreement. If the Initial Manager fails to comply with such obligations by the date required under the Management Agreement, the Servicer shall pursue any remedies available against the Railcar Entities under the Asset Purchase Agreement for any breach thereunder and deposit any amounts received from the Railcar Entities into the Collection Accounts.

(b) If, as a result of any act or failure to act of the Initial Servicer (other than actions taken as a result of a default on the part of the Lessee), any Lease shall be terminated in whole or in part by the Lessee or amounts due under any Lease shall be reduced or impaired, other than by reason of a short-term credit granted or allowed by the Initial Servicer in the ordinary course of business which does not reduce the amount of Rent relating to the relevant Lease, the Initial Servicer shall be required to Purchase all of the Railcars related to such Lease and any related Railcar Assets by deposit of the Purchase Price into the Collection Accounts on or prior to the Determination Date next following the calendar month in which the Initial Servicer's obligation to purchase such Railcars and any related Railcar Assets arose.

ARTICLE V

INITIAL SERVICER COVENANTS

Section 5.01. Corporate Existence; Status as Initial Servicer; Merger. (a) The Initial Servicer shall keep in full effect its existence and good standing as a corporation in its state of incorporation and will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to enable the Initial Servicer to perform its duties under this Agreement, except where the failure to so qualify would not have a Material Adverse Effect on the Initial Servicer or its ability to perform its duties hereunder; provided, however, that the Initial Servicer may reincorporate in another state, if to do so would be in the best interest of the Initial Servicer and would not have a Material Adverse Effect upon any Company, the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or the Holders, and the Initial Servicer has complied with the requirements set forth in Section 5.01(b).

(b) The Initial Servicer shall not consolidate with or merge into any other Person or convey, transfer or lease substantially all of its assets as an entirety to any Person, unless (i) the entity formed by such consolidation or into which the Initial Servicer has merged or the Person which acquires by conveyance, transfer or lease substantially all the assets of the Initial Servicer as an entirety, executes and delivers to each Company, the Class A Note Insurer, the Backup Servicer and the Indenture Trustee an agreement, in form and substance reasonably satisfactory to each Company, the Backup Servicer and the Indenture Trustee (acting at the direction of the Controlling Party), which contains an assumption by such successor entity of the due and punctual performance and observance of each covenant and condition to be performed or observed by the Initial Servicer under this Agreement, (ii) such Person at the time of the execution of such agreement has at least the same Tangible Net Worth as the Initial Servicer at the time of such consolidation, merger or transfer but in any event a Tangible Net Worth of at least \$75,000,000, (iii) after giving effect to such merger or consolidation, no Servicer Event of Termination shall have occurred and be continuing, (iv) such Person shall meet the criteria required of and applicable to a Successor Servicer set forth in Section 6.01(b) and (v) the Initial Servicer shall have received the prior written consent of the Controlling Party.

Section 5.02. The Servicer Not to Resign; No Assignment. (a) The Servicer shall not resign from the duties and obligations hereby imposed on it except (i) upon a determination by its Board of Directors that by reason of a change in applicable legal requirements the continued performance by the Servicer of its duties under this Agreement would cause it to be in violation of such legal requirements, said determination to be evidenced by a resolution of its Board of Directors to such effect accompanied by an Opinion of Counsel reasonably satisfactory to the Indenture Trustee, the Backup Servicer and the Controlling Party to such effect, (ii) upon appointment of a Successor Servicer by the Companies, with the approval of the Indenture Trustee (acting at the direction of the Controlling Party), and (iii) upon the entering into of amendments to this Agreement to effect such succession in form reasonably acceptable to each Company, the Backup Servicer and the Indenture Trustee (acting at the direction of the Controlling Party).

(b) The Servicer may not assign this Agreement or delegate any of its rights, powers, duties or obligations hereunder, provided, however, that the Servicer may subservice its duties and obligations hereunder in accordance with Section 2.01(k) and assign this Agreement in connection with a consolidation, merger, conveyance, transfer or lease made in compliance with Section 5.01(b).

(c) Except as provided in Sections 5.02(a) and 6.01, the duties and obligations of the Servicer under this Agreement shall continue until this Agreement shall have been terminated as provided in Section 8.01, and shall survive the exercise by the any Company, the Class A Note Insurer, the Backup Servicer or the Indenture Trustee of any right or remedy under this Agreement, or the enforcement by any Company, the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or any Holder of any provision of the Indenture, the Notes or this Agreement.

Section 5.03. Servicer Indemnification. The Servicer shall indemnify and hold harmless each of the Companies, the Class A Note Insurer, the Backup Servicer, the Indenture Trustee and

the Holders and their respective Affiliates and the directors, officers, employees and agents of each thereof (the "Indemnified Parties"), from and against:

(a) any breach of or any inaccuracy in any representation or warranty made by the Servicer in this Agreement or in any certificate delivered pursuant thereto;

(b) any breach of or failure by the Servicer to perform any covenant or obligation of the Servicer set out or contemplated in this Agreement (except for any such breach or failure which has been fully remedied in accordance with Section 4.03);

(c) the negligence, recklessness or willful misconduct of the Servicer;

(d) any dispute, counterclaim, defense, loss, liability, expense, damage or injury suffered or sustained by reason of any acts, omissions or alleged acts or omissions arising out of any act or failure to act on the part of the Servicer with respect to its obligations under this Agreement, including but not limited to any judgment, award, settlement, reasonable attorneys' fees and other reasonable costs or expenses incurred in connection with the defense of any actual or threatened action, proceeding or claim;

(e) any failure by the Servicer to comply with any applicable Law with respect to any Railcar Asset;

(f) the commingling by the Servicer of Collections at any time with any other funds; or

(g) any inability to obtain any judgment in or utilize the court or other adjudication system of, any jurisdiction in which a Lessee may be located as a result of the failure of the Servicer to qualify to do business or file any notice of business activity report or any similar report;

provided, however, that (i) the Servicer shall not indemnify the Indemnified Parties if such acts, omissions or alleged acts or omissions constitute fraud, negligence, or willful misconduct by such Indemnified Party, (ii) the Servicer shall not indemnify the Indemnified Parties for any liability, cost or expense of the Collateral with respect to any federal, state or local income or franchise taxes (or any interest or penalties with respect thereto) required to be paid by the Holders in connection herewith to any taxing authority, (iii) the Servicer shall not indemnify the Indemnified Parties in respect of any Tax Payment Amount owing by any Company, except to the extent that (A) the Servicer shall have failed to include in the Monthly Servicer Report complete and correct information in respect of such Tax Payment Amount and the Tax Payment Recipient thereof and (B) amounts shall have been paid to or at the direction of the Companies under Section 12.02(d) or Section 6.08 of the Indenture, as applicable, which would not have been so paid but for such failure, and (iv) in the event that a Successor Servicer (including the Backup Servicer) shall succeed to the duties of the Servicer, the provisions of this Section 5.03 shall not apply to such Successor Servicer unless expressly agreed to thereby. The provisions of this Section 5.03 shall survive any expiration or termination of this Agreement. Any

indemnification owed to the Indemnified Parties under this Section 5.03 shall be due and payable within 30 days of the applicable Indemnified Party's demand therefor.

ARTICLE VI

SERVICER TERMINATION

Section 6.01. Servicer Events of Termination. (a) If any of the following acts or occurrences (each, a "Servicer Event of Termination") shall occur and be continuing:

(i) any failure by the Servicer to deposit into any Lockbox Account or any Collection Account any payment, transfer or deposit, any Insurance Proceeds or any other amounts paid under or with respect to any Lease, Railcar or other Railcar Asset to the Servicer or the Relevant Company pursuant to this Agreement, or any failure to deliver any original of any Lease constituting chattel paper to the Indenture Trustee (or to such other Person as the Indenture Trustee may direct), in each case required to be made hereunder that continues unremedied for a period of two Business Days after the date such deposit or delivery is required to be made; or

(ii) any failure by the Servicer to submit a Monthly Servicer Report pursuant to Section 3.01 that continues unremedied for a period of two Business Days after the earliest of the date upon which (A) the Indenture Trustee, the Class A Note Insurer or any Holder provides written notification to the Servicer of such failure, or (B) the date on which an Authorized Officer obtains actual knowledge of such failure; or

(iii) any representation or warranty made by the Servicer in this Agreement, any other Transaction Document to which it is a party or in any certificate delivered by the Servicer hereunder proves to have been untrue or incorrect in any material respect when made and such untruth or incorrectness shall continue to be material and unremedied; provided, however, solely if such untruth or incorrectness is capable of being remedied, no such untruth or incorrectness shall constitute cause for termination hereunder for a period of 30 days after the earlier of (A) the date on which an Authorized Officer obtains actual knowledge of such failure or (B) the Servicer's receipt of notice from any Company or the Indenture Trustee so long as the Servicer is diligently proceeding to remedy such untruth or incorrectness and shall in fact remedy such untruth or incorrectness within such period; provided, however, such untrue or incorrect representation or warranty shall be deemed to be remediable or remedied only after all adverse consequences thereof, if any, can be and have been remedied as applicable; or

(iv) any failure on the part of the Servicer duly to observe or to perform in any material respect any covenant or agreement of the Servicer (including the furnishing of documents) set forth in this Agreement or any other Transaction Document to which it is a party (including if the Servicer is also acting as the Manager, of its duties as the Manager), which failure, if such failure is curable, continues unremedied for a period of 30 days after the earlier to occur of (A) the date on which written notice of such failure or

breach, requiring the situation giving rise to such failure or breach to be remedied, shall have been given to the Servicer by the Indenture Trustee, the Backup Servicer, the Class A Note Insurer, each Company or any Holder or (B) the date on which an Authorized Officer of the Servicer obtains actual knowledge of such failure; or

(v) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Servicer in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or (B) a decree or order adjudging the Servicer a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Servicer under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Servicer or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any of the foregoing unstayed and in effect for a period of 45 consecutive days; or

(vi) the commencement by the Servicer of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Servicer in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Servicer or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Servicer in furtherance of any such action; or

(vii) any assignment by the Servicer to a delegate of its duties or rights hereunder, except as specifically permitted hereunder, or any attempt to make such an assignment; or

(viii) a final nonappealable judgment of a court of competent jurisdiction for more than \$1,000,000 shall be entered against the Servicer and shall not be stayed, vacated, bonded, paid or discharged within 45 days; or

(ix) the Servicer shall fail to pay, when and as the same shall become due and payable (after giving effect to any applicable grace period), any principal or interest, regardless of amount, due in respect of any indebtedness of the Servicer in a principal amount in excess of \$5,000,000 or any event shall occur with respect to any such indebtedness, the effect of which is to cause, or allow the holder thereof to cause, such indebtedness to become due before its stated maturity; or

(x) the Servicer shall cease to be engaged in the railcar servicing business (unless the Backup Servicer is acting as Servicer); or

(xi) the existence of a Rapid Amortization Event of the nature described in clause (b) of the definition of "Rapid Amortization Event" contained in the Indenture; or

(xii) the failure of the Initial Servicer to maintain a ratio of long term debt minus the non-recourse portion of long term debt to Tangible Net Worth of not more than 1.25 to 1; or

(xiii) so long as the Initial Servicer is the Servicer, the occurrence of a Change of Control; or

(xiv) so long as the Servicer or any Affiliate thereof is acting as Manager, the occurrence of a Manager Event of Termination pursuant to Section 6.01 of the Management Agreement;

then, and in each and every case, so long as a Servicer Event of Termination shall not have been remedied within any applicable period set forth above, the Indenture Trustee shall, at the direction of the Controlling Party, or may, with the consent of the Controlling Party, by notice (the "Servicer Termination Notice") then given in writing to the Servicer, terminate all, but not less than all, of the rights (other than any rights to receive, subject to the priority of payments set forth in Section 12.02(d) or Section 6.08 of the Indenture, as applicable, all amounts owed to the Servicer, including but not limited to the Servicer Fee accrued up to the effective date specified by the Servicer Termination Notice) and obligations of the Servicer under this Agreement, which termination shall be effective as of the date of such Servicer Termination Notice or such later date as such Servicer Termination Notice may specify.

(b) The Servicer may not be terminated in whole or in part, unless (i) a successor Servicer (the "Successor Servicer") has been appointed by the Indenture Trustee (acting at the direction of the Controlling Party) and (ii) such Successor Servicer has accepted such appointment. Any Successor Servicer shall be located in the United States and be acceptable to the Controlling Party. Any Successor Servicer, however appointed, shall execute and deliver to the Class A Note Insurer, the Backup Servicer (if not the Successor Servicer), the Indenture Trustee, each Company and to the predecessor Servicer an instrument accepting such appointment, including customary confidentiality provisions in favor of the predecessor Servicer and each Company, and thereupon such Successor Servicer, without further act, shall become vested with all the rights, powers, duties and trusts of the predecessor Servicer hereunder with like effect as if originally named the Servicer herein.

(c) On and after the time the Servicer receives a Servicer Termination Notice pursuant to this Section 6.01, all authority and power of the Servicer under this Agreement shall pass to the Successor Servicer appointed pursuant to Section 6.02, and, without limitation, such Successor Servicer is hereby authorized and empowered to execute and deliver, as Servicer and on behalf of each Company, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the

purposes of such Servicer Termination Notice, whether to complete the transfer of the Lease Files and related documents or otherwise.

(d) Upon becoming Successor Servicer, the Successor Servicer will make arrangements for the prompt and safe transfer of all Lease Files to it from the terminated Servicer and any other relevant parties, at the expense of the terminated Servicer.

(e) The terminated Servicer shall cooperate with the Indenture Trustee and the Successor Servicer in effecting the termination of the responsibilities and rights of the terminated Servicer hereunder and the transition of the servicing to the Successor Servicer, including, without limitation, (i) by transferring to the Successor Servicer for administration by it of all cash amounts that shall at the time be held by the Servicer for deposit, or have been deposited by the Servicer, in any Collection Account or any Lockbox Account or thereafter received with respect to Leases (and in accordance therewith, the Indenture Trustee shall have the right to access amounts on deposit in any Lockbox Account), (ii) by assisting the Successor Servicer in enforcing all rights under Insurance Policies to the extent that they relate to the Leases, the Railcars and the other Railcar Assets, (iii) by transferring, at its own expense, its electronic records relating to such Leases, Railcars and other Railcar Assets to the Successor Servicer in such electronic form as the Successor Servicer may reasonably request, (iv) by transferring the related Lease Files and all other records, correspondence and documents relating to the Leases, Railcars and other Railcar Assets that it may possess to the Successor Servicer in the manner and at such times as the Successor Servicer shall reasonably request and (v) by responding to all reasonable requests of the Successor Servicer.

Section 6.02. Backup Servicer to Act; Appointment of Successor; Acting as Manager. (a) Subject to Section 6.01, on and after the time the Servicer receives a Servicer Termination Notice pursuant to Section 6.01, the Backup Servicer shall, unless prevented by law (in which case such other Successor Servicer as shall be appointed by the Indenture Trustee acting at the direction of the Controlling Party), without further action be the Successor Servicer, and, to the extent provided in Section 6.01, shall be subject to all the responsibilities, duties and liabilities relating thereto placed on the Servicer by the terms and provisions hereof; provided, however, that any Successor Servicer shall not (i) be liable for any acts or omissions of the outgoing Servicer or for any breach by the outgoing Servicer of any of its representations and warranties contained herein or in any related document or agreement, or (ii) be required to deliver financial reports pursuant to Section 3.02(h). Subject to the consent of the Controlling Party, the Successor Servicer may subcontract with another firm to act as subservicer so long as the Successor Servicer remains fully responsible and accountable for performance of all obligations of the Servicer. The Successor Servicer shall be entitled to the Servicer Fee in connection with acting as Servicer hereunder.

(b) The Servicer, the Backup Servicer, the Indenture Trustee and such Successor Servicer shall take such action, consistent with this Agreement, as shall be necessary to effectuate any such succession. The Successor Servicer and the Indenture Trustee shall be reimbursed for their respective expenses, if any, incurred in connection with the assumption of responsibilities of the Successor Servicer as provided for in Section 12.02(d) or Section 6.08 of the Indenture. In addition, the Successor Servicer shall be reimbursed for any fees and expenses paid to any third

party legal or other advisors incurred in connection with the performance of its duties under this Agreement, as provided for in Section 12.02(d) or Section 6.08 of the Indenture.

(c) If the Servicer is also acting as Manager under the Management Agreement, upon any resignation of the Manager, the Servicer will also be required to resign as Servicer. The Manager and Servicer shall at all times be the same Person.

Section 6.03. Notification to Holders. Upon any termination of, or appointment of a successor to, the Servicer pursuant to this Article VI, the Indenture Trustee shall give prompt written notice thereof to the Holders at their respective addresses appearing in the Note Register.

Section 6.04. Waiver of Breaches and Defaults. The Indenture Trustee shall, at the direction of the Controlling Party, waive any events permitting removal of the Servicer under Section 6.01. Upon any waiver of a past default, such default shall cease to exist, and any Servicer Event of Termination arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto except to the extent expressly so waived.

Section 6.05. Effects of Termination of Servicer. (a) Upon the appointment of the Successor Servicer, the Servicer shall immediately remit any Rents or other payments that it has received or receives pursuant to any Lease or otherwise to the Successor Servicer for the benefit of the Holders and the Relevant Company after such date of appointment.

(b) After the delivery of a Servicer Termination Notice and appointment of a Successor Servicer, the former Servicer shall have no further obligations with respect to the servicing of the Leases or the enforcement, custody or collection of the Leases, and the Successor Servicer shall have all of such obligations, except that the former Servicer will transmit or cause to be transmitted directly to the Successor Servicer for the benefit of the Holders, promptly upon receipt and in the same form in which received, any amounts held by the former Servicer (properly endorsed where required for the Successor Servicer to collect them) received as payments upon or otherwise in connection with the Leases, the Railcars or the other Railcar Assets. The former Servicer's indemnification obligations pursuant to Section 5.03 will survive the termination of the Servicer hereunder but will not extend to any acts or omissions of a Successor Servicer.

(c) A Servicer Event of Termination shall not affect the rights and duties of the parties hereunder (including, but not limited to, the obligations and indemnities of the Servicer pursuant to Section 5.03) other than those relating to the servicing, custody or collection of the Leases, the Railcars and the other Railcar Assets.

(d) The predecessor Servicer shall defend, indemnify and hold the Successor Servicer and any officers, directors, employees or agents of the Successor Servicer harmless against any and all claims, losses, penalties, fines, forfeitures, legal fees and related costs, judgments and any other costs, fees, and expenses that the Successor Servicer may sustain in connection with the claims asserted at any time by third parties against the Successor Servicer which result from (i) any willful, bad faith or grossly negligent act taken or omission by the predecessor Servicer or

(ii) a breach by the predecessor Servicer of an express obligation of the Servicer hereunder. The indemnification provided by this Section 6.05(d) shall survive the termination of this Agreement.

(e) The Successor Servicer will not be responsible for delays attributable to the predecessor Servicer's failure to deliver information, defects in the information supplied by the terminated Servicer or other circumstances beyond the control of the Successor Servicer.

The Successor Servicer shall have no responsibility and shall not be in default hereunder nor incur any liability for any failure, error, malfunction or any delay in carrying out any of its duties under this Agreement if any such failure or delay results from the Successor Servicer acting reasonably and in accordance with information prepared or supplied by a Person other than the Successor Servicer or the failure of any such Person to prepare or provide such information. The Successor Servicer shall have no responsibility, shall not be in default and shall incur no liability (i) for any act or failure to act by any third party, including the terminated Servicer, or for any inaccuracy or omission in a notice or communication received by the Successor Servicer from any third party or (ii) which is due to or results from the invalidity or unenforceability of any Lease under applicable law or the breach or the inaccuracy of any representation or warranty made by the terminated Servicer. The Successor Servicer shall not be liable for any acts or omissions of the Servicer occurring prior to such Servicer transfer or for any breach by the Servicer of any of its representations and warranties contained herein or in any related document or agreement.

Notwithstanding anything contained in this Agreement to the contrary, the Successor Servicer is authorized to accept and rely on all of the accounting, records (including computer records) and work of the terminated Servicer relating to the Leases, the Railcars and the other Railcar Assets (collectively, the "Predecessor Servicer Work Product") without any audit or other examination thereof, and the Successor Servicer shall have no duty, responsibility, obligation or liability for the acts and omissions of the prior Servicer. If any error, inaccuracy, omission or incorrect or non-standard practice or procedure (collectively, "Errors") exist in any Predecessor Servicer Work Product and such Errors make it materially more difficult to service or should cause or materially contribute to the Successor Servicer making or continuing any Errors (collectively, "Continued Errors"), the Successor Servicer shall have no duty, responsibility, obligation or liability for such Continued Errors; provided, however, that the Successor Servicer agrees to use its best efforts to prevent further Continued Errors. In the event that the Successor Servicer becomes aware of Errors or Continued Errors, the Successor Servicer shall, with the prior consent of the Controlling Party, use its best efforts to reconstruct and reconcile such data as is commercially reasonable to correct such Errors and Continued Errors and to prevent future Continued Errors. The Successor Servicer shall be entitled to recover its costs thereby expended in accordance with Section 12.02(d) or Section 6.08, as applicable, of the Indenture.

Section 6.06. Rights Cumulative. All rights and remedies from time to time enforced upon or reserved to each Company, the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or the Holders or to any or all of the foregoing are cumulative, and none is intended to be exclusive of another. No delay or omission in insisting upon the strict observance or performance of any provision of this Agreement, or in exercising any right or remedy, shall be

construed as a waiver or relinquishment of such provision, nor shall it impair such right or remedy. Every right and remedy of each Company, the Indenture Trustee or the Holders may be exercised from time to time and as often as deemed expedient.

ARTICLE VII

THE BACKUP SERVICER

Section 7.01. Representations of Backup Servicer. The Backup Servicer makes the following representations and warranties:

(a) Corporate Existence and Power. The Backup Servicer has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America, with all requisite power and authority to own its properties and to transact the business in which it is now engaged, and the Backup Servicer is duly qualified to do business and is in good standing in each state where the nature of its business requires it to be so qualified except where failure to so qualify would not have a Material Adverse Effect on the Backup Servicer or its ability to perform its obligations under this Agreement. The Backup Servicer has all requisite power and authority and has taken all action necessary to enter into this Agreement and the other Transaction Documents to which it is a party, to consummate the transactions contemplated hereby and thereby, and to perform its obligations hereunder and thereunder. The execution, delivery and performance by the Backup Servicer of this Agreement are within the Backup Servicer's powers, have been duly authorized by all necessary action and do not contravene any applicable Law, the Backup Servicer's organizational documents or any contractual or other obligation binding on or affecting the Backup Servicer or any of its assts.

(b) No Conflict. The performance of the Backup Servicer's obligations under this Agreement and each other Transaction Document to which it is a party will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any Lien (other than as contemplated by this Agreement and the other Transaction Documents, and other than Permitted Liens) upon any of the property or assets of the Backup Servicer pursuant to the terms of any indenture, mortgage, deed of trust, or other agreement or instrument to which it is a party or by which it is bound or to which any of its property or assets is subject, nor will such action result in any violation of the provisions of any charter document of the Backup Servicer or any statute or any order, rule or regulation of any court or Governmental Authority having jurisdiction over it or any of its properties; and no consent, approval, authorization, order, registration or qualification of or with any court, or any such Governmental Authority is required for the consummation of the other transactions contemplated by this Agreement or any other Transaction Document to which it is a party except such consents, approvals and authorizations which have been obtained or such registrations or qualifications which have been made.

(c) Due Authorization, Execution and Delivery. Each Transaction Document to which the Backup Servicer is a party has been duly authorized, executed and delivered by the Backup Servicer and each such Transaction Document is a valid and legally binding agreement of the Backup Servicer, enforceable against the Backup Servicer in accordance with its terms, subject as to enforceability to applicable bankruptcy, insolvency, reorganization and other similar laws of general applicability relating to or affecting creditors' rights generally and to general principles of equity regardless of whether enforcement is sought in a court of law or equity.

Section 7.02. Merger or Consolidation of, or Assumption of the Obligations of, Backup Servicer. Any Person (a) into which the Backup Servicer may be merged or consolidated, (b) which may result from any merger or consolidation to which the Backup Servicer shall be a party, or (c) which may succeed to the properties and assets of the Backup Servicer substantially as a whole, which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Backup Servicer hereunder, shall be the successor to the Backup Servicer under this Agreement without any further act on the part of any of the parties to this Agreement.

Section 7.03. Backup Servicer Resignation. The Backup Servicer shall not resign from its obligations and duties under this Agreement except upon determination that the performance of its duties shall no longer be permissible under applicable law (any such determination permitting the resignation of the Backup Servicer shall be evidenced by an Opinion of Counsel to such effect delivered to the Indenture Trustee and the Class A Note Insurer). Upon the Backup Servicer's resignation pursuant to this Section 7.03, the Backup Servicer shall comply with the provisions of this Agreement until the acceptance of a successor Backup Servicer.

The Backup Servicer shall consult fully with the Servicer as may be necessary from time to time to perform or carry out the Backup Servicer's obligations hereunder, including the obligation to succeed at any time to the duties and obligations of the Servicer under Section 6.02.

Section 7.04. Duties and Responsibilities. (a) The Backup Servicer shall perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Backup Servicer.

(b) In the absence of bad faith, willful misconduct or negligence on its part, the Backup Servicer may conclusively rely as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Backup Servicer and conforming to the requirements of this Agreement; but in the case of any such certificates or opinions, which by any provision hereof are specifically required to be furnished to the Backup Servicer, the Backup Servicer shall be under a duty to examine the same and to determine whether or not they conform to the requirements of this Agreement.

Section 7.05. Backup Servicer Compensation. As compensation to the Backup Servicer for the performance of services hereunder, the Backup Servicer shall be entitled to receive the Backup Servicer Fee, which shall be paid to the Backup Servicer on each Payment Date in

accordance with, and subject to the priority of payment provisions of, Section 12.02(d) or Section 6.08, as applicable, of the Indenture.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Termination of Agreement. (a) Except where otherwise expressly noted herein, the respective duties and obligations of the Servicer, each Company, the Backup Servicer and the Indenture Trustee created by this Agreement shall terminate upon the discharge of the Indenture in accordance with its terms. Upon the termination of this Agreement pursuant to this Section 8.01(a), the Servicer shall pay all monies with respect to the Leases, the Lease Receivables and the Railcars held by the Servicer and to which the Servicer is not entitled to the Successor Servicer or upon the Successor Servicer's order.

(b) This Agreement shall not be automatically terminated as a result of an Event of Default under the Indenture or any action taken by the Indenture Trustee thereafter with respect thereto, and any liquidation or preservation of any property held as contemplated in the Indenture by the Indenture Trustee thereafter shall be subject to the rights of the Servicer to manage the Railcars as provided hereunder.

Section 8.02. Amendments. (a) This Agreement may be amended by the parties hereto, without the consent of any Holders but with the consent of the Class A Note Insurer (so long as no Class A Note Insurer Default shall have occurred and is continuing), to cure any ambiguity, to correct or supplement any provisions in this Agreement which are inconsistent with the provisions herein, or to add any other provisions with respect to matters or questions arising under this Agreement that shall not be inconsistent with the provisions of this Agreement; provided, however, that the Rating Agency Condition shall have been met.

(b) This Agreement may also be amended from time to time by the parties hereto with the prior written consent of the Controlling Party for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or of modifying in any manner the rights of the Holders.

(c) Prior to the execution of any amendment or consent under this Section 8.02, the Servicer shall furnish written notification of the substance of such amendment or consent, together with a copy thereof, to each Rating Agency.

(d) Promptly after the execution of any such amendment, the Servicer shall furnish a written copy of the text of such amendment (and any consent required with respect thereto) to the other parties hereto, the Class A Note Insurer and to each Holder.

(e) Approval of the particular form of any proposed amendment or consent shall not be necessary for the consent of any Holders, if required under Section 8.02(b), but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such

consents and of evidencing the authorization of the execution thereof by the Holders shall be subject to such reasonable requirements as the Indenture Trustee may prescribe.

(f) The Indenture Trustee may request an Opinion of Counsel, an Officer's Certificate and such other opinions, certificates and documents as it deems advisable in connection with any proposed amendment of this Agreement. The Indenture Trustee may, but shall not be obligated to, execute and deliver any such amendment which affects that Indenture Trustee's rights, powers, immunities or indemnifications hereunder.

Section 8.03. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, INCLUDING SECTIONS 5-1401 AND 1402 OF THE GENERAL OBLIGATIONS LAWS, BUT OTHERWISE WITHOUT REGARD TO CONFLICT OF LAWS PRINCIPLES AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 8.04. Notices. All demands, notices and communications hereunder shall be in writing and shall be delivered or mailed by registered or certified United States mail, postage prepaid, or by telephonic facsimile transmission and overnight delivery service, postage prepaid, and addressed, in each case as follows: (a) if to NARCAT, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (b) if to CARCAT, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (c) if to NARCAT Mexico, at 480 W. Dussel Drive, Suite R, Maumee, Ohio 43537; (d) if to the Servicer, at The Andersons Inc., 480 W. Dussel Drive, Maumee, Ohio 43537, Attention: Betsy Hall, Esq. (facsimile: (419) 491-6695); (e) if to the Indenture Trustee or the Backup Servicer, at Wells Fargo Bank, National Association, MAC N9311-161, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services -- Asset-Backed Administration (facsimile: (612) 667-3539); (f) if to any Holder, at its address for notices specified in the Register for the Notes maintained pursuant to the Indenture and (g) if to the Class A Note Insurer, at the address specified in the Indenture. Any of the Persons in subclauses (a) through (e) and (g) above may change the address for notices hereunder by giving notice of such change to other Persons. Any change of address shown in the Note Register shall, after the date of such change, be effective to change the address for such Holder hereunder. The Indenture Trustee shall provide all parties hereto with notice of any change of address shown in the Note Register. All notices and demands shall be deemed to have been given either at the time of the delivery thereof to any officer of the Person entitled to receive such notices and demands at the address of such Person for notices hereunder.

Section 8.05. Severability of Provisions. If one or more of the provisions of this Agreement shall be for any reason whatever held invalid, such provisions shall be deemed severable from the remaining provisions of this Agreement and shall in no way affect the validity or enforceability of such remaining provisions, the rights of any parties hereto, or the rights of the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or any Holders. To the extent permitted by law, the parties hereto hereby waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect.

Section 8.06. Inspection and Examination Rights. The Servicer agrees that, on reasonable prior notice, it will permit any representative of the Class A Note Insurer, the Backup Servicer, the Indenture Trustee, the Controlling Party or any Company, during the Servicer's normal business hours, to examine all the Lease Files, books of account, records, reports and other papers of the Servicer relating to the Railcar Assets and related documents, to make copies and extracts therefrom, to cause such books to be examined by independent certified public accountants selected by the Class A Note Insurer, the Backup Servicer, the Indenture Trustee, the Controlling Party or any Company, as the case may be, and to discuss its affairs, finances and accounts relating to the Railcar Assets with its officers, employees and independent public accountants (and by this provision the Servicer hereby authorizes said accountants to discuss with such representatives such affairs, finances and accounts), all at such reasonable times and as often as may be reasonably requested. Any expense incident to the exercise by the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or any Company of any right under this Section 8.06 shall be borne by the Initial Servicer, except that only the first examination in any year by the Class A Note Insurer, the Backup Servicer, the Indenture Trustee or the Controlling Party will be at the Initial Manager's expense (unless there has occurred and is continuing a Manager Event of Termination (if the Manager is also the Servicer), a Servicer Event of Termination or a Rapid Amortization Event (or any event which, with the giving of notice or passage of time, would constitute any such event), in each of which cases each such examination shall be at the expense of the Manager)), or if a Successor Servicer other than an Affiliate of the Initial Servicer is then acting as Servicer, such expense shall be borne by the party exercising such right of inspection; provided, however, that in no event shall the Class A Note Insurer, the Backup Servicer, the Indenture Trustee, the Controlling Party or any Company be entitled to any expenses hereunder for which it has been previously reimbursed pursuant to Section 8.06 of the Management Agreement.

Section 8.07. Binding Effect. All provisions of this Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of the parties hereto.

Section 8.08. Article Headings. The article headings herein are for convenience of reference only, and shall not limit or otherwise affect the meaning hereof.

Section 8.09. Legal Holidays. In the case where the date on which any action required to be taken, document required to be delivered or payment required to be made is not a Business Day, such action, delivery or payment need not be made on such date, but may be made on the next succeeding Business Day.

Section 8.10. Assignment for Security for the Notes. The Servicer understands that each Company will assign to, and grant to the Indenture Trustee under the Indenture a security interest in, all of its right, title and interest to this Agreement. The Servicer consents to such assignment and grant and further agrees that all representations, warranties, covenants, and agreements of the Servicer made herein shall also be for the benefit of and inure to the Class A Note Insurer, the Indenture Trustee and the Holders.

Section 8.11. Servicing Agreement to Control. To the extent of any inconsistency between the provisions of this Servicing Agreement and the Management Agreement as to the

obligations or responsibilities of the Servicer to service or administer the Leases, the provisions of this Servicing Agreement shall control.

Section 8.12. Third-Party Beneficiaries. The Class A Note Insurer and its successors and assigns shall be third-party beneficiaries to the provisions of this Agreement, and shall be entitled to rely upon and directly enforce such provisions of this Agreement. Nothing in this Agreement, express or implied, shall give to any Person, other than the Class A Note Insurer, the parties hereto and their successors hereunder and permitted assigns, any benefit or any legal or equitable right, remedy or claim under this Agreement.

Section 8.13. No Bankruptcy Petition. The Servicer hereby covenants and agrees for the benefit of each of the parties hereto, the Indenture Trustee and each of the other Secured Parties, that, prior to the date which is one year and one day after the payment in full of all obligations of each of the Companies, it will not institute against any Company, or join any other Person in instituting against any Company, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States, any state of the United States or any foreign jurisdiction. Each Company hereby covenants and agrees for the benefit of each of the parties hereto, the Indenture Trustee and each of the other Secured Parties, that, prior to the date which is one year and one day after the payment in full of all obligations of the Servicer and each other Company, it will not institute against the Servicer or any other Company, or join any other Person in instituting against the Servicer or any other Company any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other proceedings under the laws of the United States, any state of the United States or any foreign jurisdiction. This Section 8.13 shall survive the termination of this Agreement.

IN WITNESS WHEREOF, each Company, the Servicer, the Indenture Trustee and the Backup Servicer have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the date and year first above written.

NARCAT LLC

By /s/Rasesh H. Shah

Name: Rasesh H. Shah
Title: Manager

CARCAT ULC

By /s/Rasesh H. Shah

Name: Rasesh H. Shah
Title: President/Secretary

NARCAT MEXICO, S. DE R.L. DE C.V.

By /s/Rasesh H. Shah

Name: Rasesh H. Shah
Title: Legal Representative

THE ANDERSONS, INC.

By /s/Gary Smith

Name: Gary Smith
Title: Vice President,
Finance and Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Indenture Trustee and as Backup
Servicer

By /s/Joe Nardi

Name: Joe Nardi
Title: Vice President

SUBSIDIARIES OF THE ANDERSONS

SUBSIDIARY	PLACE OF ORGANIZATION
The Andersons Ag Software, Inc. (a corporation owned 100% by Metamora Commodity Company, Incorporated)	Ohio
The Andersons Agriculture Group, LP (a limited partnership owned 99% by The Andersons, Inc. and owned 1% by TAI Holdings, Inc.)	Ohio
The Andersons Agriservices, Inc. (a corporation owned 100% by The Andersons, Inc.)	Illinois
The Andersons AgVantage Agency, LLC (a limited liability company owned 100% by Metamora Commodity Company, Incorporated)	Ohio
The Andersons ALACO Lawn, Inc. (a corporation owned 100% by The Andersons, Inc.)	Alabama
The Andersons Lawn Fertilizer Division, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
The Andersons Mower Center, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
The Andersons Technologies, Inc. (a corporation owned 100% by The Andersons Lawn Fertilizer Division, Inc.)	Michigan
Cap Acquire LLC (a limited liability company owned 100% by TOP CAT Holding Co.)	Delaware
Cap Acquire Canada ULC (an unlimited liability company owned 100% by TOP CAT Holding Co.)	Nova Scotia
Cap Acquire Mexico S. de R.L. de C.V. (a Mexican SRL owned 99.97% by TOP CAT Holding Co. and 0.03% by Cap Acquire LLC)	Mexico
CARCAT ULC (an unlimited liability company owned 100% by Cap Acquire Canada ULC)	Nova Scotia

SUBSIDIARY	PLACE OF ORGANIZATION
Crop & Soil Service, Inc. (a corporation owned 100% by The Andersons, Inc.)	Ohio
Metamora Commodity Company Incorporated (a corporation owned 100% by The Andersons, Inc.)	Ohio
NARCAT LLC (a limited liability company owned 100% by Cap Acquire LLC)	Delaware
NARCAT Mexico S. de R.L. de C.V. (a Mexican SRL owned 99.97% by Cap Acquire Mexico S. de R.L. de C. V. and 0.03% by Cap Acquire LLC)	Mexico
NuRail USA LLC (a limited liability company owned 100% by TAI Holdins, Inc.)	Ohio
NuRail Canada ULC (an unlimited liability company owned 100% by TAI Holdings, Inc.)	Nova Scotia
TAI Holdings, Inc. (a corporation owned 100% by The Andersons, Inc.)	Michigan
TOP CAT Holding Co. (a corporation owned 100% by The Andersons, Inc.)	Delaware

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-101770, 333-00233 and 333-53137) and Registration Statement on Form S-3 (No. 333-103996) of The Andersons, Inc. of our report dated March 8, 2004 relating to the financial statements and financial statement schedule, which appears in this Form 10-K.

/s/PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Toledo, Ohio
March 11, 2004

CERTIFICATIONS

I, Michael J. Anderson, certify that:

1. I have reviewed this annual report on Form 10-K of The Andersons, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record,
process, summarize and report financial information;
and

- b) Any fraud, whether or not material, that involves
management or other employees who have a significant
role in the registrant's internal control over
financial reporting.

March 11, 2004

/s/Michael J. Anderson

Michael J. Anderson
President and Chief Executive Officer

CERTIFICATIONS

I, Richard R. George, certify that:

1. I have reviewed this annual report on Form 10-K of The Andersons, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record,
process, summarize and report financial information;
and

- b) Any fraud, whether or not material, that involves
management or other employees who have a significant
role in the registrant's internal control over
financial reporting.

March 11, 2004

/s/Richard R. George

Richard R. George

Vice President, Controller and CIO

CERTIFICATIONS

I, Gary L. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of The Andersons, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fourth fiscal quarter that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to

adversely affect the registrant's ability to record,
process, summarize and report financial information;
and

- b) Any fraud, whether or not material, that involves
management or other employees who have a significant
role in the registrant's internal control over
financial reporting.

March 11, 2004

/s/Gary L. Smith

Gary L. Smith

Vice President, Finance and Treasurer

THE ANDERSONS, INC.
CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report of The Andersons, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 W.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003, that to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

March 11, 2004

/s/Michael J. Anderson

Michael J. Anderson
President and Chief Executive Officer

/s/Richard R. George

Richard R. George
Vice President, Controller and CIO

/s/Gary L. Smith

Gary L. Smith
Vice President, Finance and Treasurer

